

SEC14

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THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. HO-13388-A
KIK INTERACTIVE) AMENDED 12-5-2018

WITNESS: Tanner Philp

PAGES: 1 through 296

PLACE: 100 F Street NE
Washington, D.C. 20002

DATE: Monday, August 20, 2018

The above-entitled matter came on for hearing,
pursuant to notice, at 9:40 a.m.

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<p style="text-align: right;">Page 2</p> <p>1 APPEARANCES:</p> <p>2</p> <p>3 On behalf of the Securities and Exchange Commission:</p> <p>4 JEFFREY G. LEASURE, ESQ.</p> <p>5 BRENT S. MITCHELL, ESQ.</p> <p>6 JAMES F. MURTHA, ESQ.</p> <p>7 STEPHAN J. SCHLEGELMILCH, ESQ.</p> <p>8 Division of Enforcement</p> <p>9 100 F Street, N.E.</p> <p>10 Washington, DC 20002</p> <p>11 (202) 551-2240</p> <p>12</p> <p>13 DAVID S. MENDEL, ESQ.</p> <p>14 Office of General Counsel</p> <p>15 100 F Street, N.E.</p> <p>16 Washington, DC 20002</p> <p>17 (202) 551-2240</p> <p>18</p> <p>19 On behalf of the Witness:</p> <p>20 KENNETH R. LENCH, ESQ.</p> <p>21 Kirkland & Ellis, LLP</p> <p>22 655 Fifteenth Street, N.W.</p> <p>23 Washington, DC 20005</p> <p>24 (202) 879-5000</p> <p>25</p>	<p style="text-align: right;">Page 4</p> <p>1 C O N T E N T S</p> <p>2 WITNESS: EXAMINATION</p> <p>3 Tanner Philp 5</p> <p>4 EXHIBITS DESCRIPTION IDENTIFIED</p> <p>5 104 Subpoena 8</p> <p>6 105 Tanner Philp Curriculum Vitae 9</p> <p>7 106 Kik Meeting Minutes 3/22/2007 147</p> <p>8 107 E-Mail Chain Ending 3/24/2017 158</p> <p>9 108 E-Mail Chain with Attachment</p> <p>10 Ending 3/28/2017 159</p> <p>11 109 E-Mail Chain Ending 11/18/2017 243</p> <p>12 110 E-Mail Chain Ending 4/27/2017 271</p> <p>13 111 E-Mail Chain Ending 5/23/2017 280</p> <p>14 112 E-Mail with Attachment 5/16/2017 282</p> <p>15 113 E-Mail with Attachment 5/17/2017 289</p> <p>16 114 E-Mail Chain Ending 5/18/2017 293</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
<p style="text-align: right;">Page 3</p> <p>1 APPEARANCES(CONT.):</p> <p>2</p> <p>3 On behalf of the Witness:</p> <p>4 PATRICK E. GIBBS, ESQ.</p> <p>5 LUKE T. CADIGAN, ESQ.</p> <p>6 BRETT DE JARNETTE, ESQ.</p> <p>7 COOLEY, LLP</p> <p>8 3175 Hanover Street</p> <p>9 Palo Alto, CA 94304</p> <p>10 (650) 843-5535</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p style="text-align: right;">Page 5</p> <p>1 P R O C E E D I N G S</p> <p>2 THE VIDEOGRAPHER: Good morning. This begins</p> <p>3 disk number one. We are on the video record. The time</p> <p>4 on the monitor is 9:40 a.m. and 32 seconds.</p> <p>5 MR. LEASURE: Okay. On the record on August</p> <p>6 20th, 2018, at the SEC's DC office.</p> <p>7 Sir, can you please raise your right hand.</p> <p>8 Whereupon,</p> <p>9 TANNER PHILP,</p> <p>10 was called as a witness, and having been first duly</p> <p>11 sworn, was examined and testified as follows:</p> <p>12 EXAMINATION</p> <p>13 BY MR. LEASURE:</p> <p>14 Q Can you please state and spell your full name</p> <p>15 for the record.</p> <p>16 A Tanner Philp, T-A-N-N-E-R, last name Philp,</p> <p>17 P-H-I-L-P.</p> <p>18 Q Thank you. I am Jeff Leasure, and to my left</p> <p>19 are, not in necessary order, Brent Mitchell, James</p> <p>20 Murtha and Stephan Schlegelmilch. We were members of</p> <p>21 the Staff of the Enforcement Division of the United</p> <p>22 States Securities and Exchange Commission and officers</p> <p>23 of this -- of the Commission for the purposes of this</p> <p>24 proceeding.</p> <p>25 Also to my left is counsel to the SEC, David</p>

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1 **Mendel. He is not an officer of the Commission for**
2 **purposes of this proceeding.**
3 **Counsel, do you have any objection to his**
4 **attending this testimony?**
5 MR. LENCH: No objection.
6 MR. LEASURE: Thank you.
7 **Q This is an investigation by the United States**
8 **Securities and Exchange Commission in the Matter of Kik**
9 **Interactive, File No. HO-13388, the determine whether**
10 **there have been violations of certain provisions of the**
11 **federal securities laws; however, the facts developed in**
12 **this investigation might constitute violations of other**
13 **federal or state, civil or criminal laws.**
14 **Prior to the opening of the record, you were**
15 **provided with a copy of the Formal Order of**
16 **Investigation in this matter, as supplemented. It will**
17 **be available for your examination during the course of**
18 **this proceeding.**
19 **Have you had an opportunity to review the**
20 **Formal Order?**
21 A Yes.
22 **Q Do you have any questions?**
23 A Nope.
24 **Q Okay.**
25 **Prior to the opening of the record, you were**

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1 **provided with a copy of the Commission's Supplemental**
2 **Information Form 1662. A copy of that notice has**
3 **previously been marked as Exhibit 1.**
4 **Have you had the opportunity to read Exhibit**
5 **1?**
6 A Yes.
7 **Q Do you have any questions concerning this**
8 **notice?**
9 A No.
10 **Q Are you represented by counsel today?**
11 A I am.
12 MR. LEASURE: Would counsel please identify
13 themselves.
14 MR. LENCH: Kenneth Lench of Kirkland & Ellis,
15 LLP, representing the Witness today.
16 MR. GIBBS: Patrick Gibbs from Cooley, LLP, on
17 behalf of the Witness and Kik.
18 MR. CADIGAN: Luke Cadigan of Cooley on behalf
19 of the Witness and Kik.
20 MR. DE JARNETTE: Brett De Jarnette from
21 Cooley, LLP, on behalf of the Witness and Kik.
22 MR. MITCHELL: Can you guys also, just for the
23 record, go through the people who -- the other people
24 you represent?
25 MR. DE JARNETTE: Sure. So Cooley and

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1 Kirkland & Ellis, collectively, represent Mr. Philp,
2 Kik, Ted Livingston, Peter Heinke, Eileen Lyon, and Phil
3 Yang.
4 Cooley represents Eran Ben-Ari, Erin Clift,
5 Union Square Ventures, and Fred Wilson.
6 MR. MITCHELL: Thank you.
7 (SEC Exhibit No. 104 was marked for
8 identification.)
9 BY MR. LEASURE:
10 **Q A copy of the subpoena has been marked as**
11 **Exhibit 104. Sir, is this a copy of the subpoena you**
12 **are appearing pursuant to here today?**
13 A Yes.
14 **Q Thank you.**
15 **Mr. Philp, is there any reason you would be**
16 **unable to give complete and accurate testimony today?**
17 A No.
18 **Q Thank you.**
19 **We'd like to get a sense of you personally and**
20 **your background and experience. Ordinarily, we start**
21 **testimony by asking for a sort of resume-level of your**
22 **background and experience, and you were good enough to**
23 **provide us with a copy of your CV.**
24 **Absent objection, I'd like to just -- can I**
25 **mark that as an exhibit, Exhibit 105, maybe as a tool**

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1 **for us to walk through --**
2 A Yep.
3 **Q -- your background?**
4 (SEC Exhibit No. 105 was marked for
5 identification.)
6 **I'm handing you a copy of Exhibit 105. I'll**
7 **say that it doesn't have a Bates stamp on it, but**
8 **Counsel provided -- I'll represent to you that Counsel**
9 **provided it -- us this in advance.**
10 **Take a look at it. You'll get used to this**
11 **routine. I'm going to ask you to look at the document,**
12 **at the start of each time I show you a document, and**
13 **just ask you what it is.**
14 A Yep.
15 **Q So what is this?**
16 A This is my CV.
17 **Q Okay. And you prepared this recently?**
18 A Yes.
19 **Q Okay. And it's accurate?**
20 A Yes.
21 **Q Awesome. Let's walk through some of it.**
22 **I take it you went to college in Waterloo at**
23 **a -- where did you attend college?**
24 A Wilfrid Laurier University in Waterloo.
25 **Q Thank you. Excellent. And you studied**

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1 **finance; is that right?**

2 A Correct.

3 **Q Okay.**

4 **Did you take any computer science or tech**
5 **classes in -- computer science classes in college?**

6 A No.

7 **Q Okay.**

8 **After -- what year did you graduate from**
9 **college?**

10 A 2016 was my last class, confirmed in 2017.

11 **Q So what years were you in college -- were you**
12 **enrolled in college?**

13 A 2012 to 2016.

14 **Q Oh, got it. Okay.**

15 **So some of the jobs I see listed there were, I**
16 **take it, jobs you had on campus or internships?**

17 A Correct.

18 **Q Got it. Okay.**

19 **So after you graduated -- well, it also -- it**
20 **looks like -- when did you first connect with Kik**
21 **Interactive?**

22 A After my second year, I started an internship,
23 summer internship, with Kik.

24 **Q And what did you do in that internship?**

25 A I worked for Peter Heinke on the finance team

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1 A A lot of ad hoc financial analysis as well as
2 working across some of the product teams as well,
3 helping with the business strategy side of product.

4 **Q Okay. And we're going to turn more to Kik at**
5 **the moment, but at the time, Kik's primary business was**
6 **running a messaging app; that is correct?**

7 A Correct.

8 **Q Okay. And can you walk me through your work**
9 **history and time at Kik subsequent to you starting**
10 **full-time?**

11 A Yep. So I continued to work with Peter on the
12 finance team, also started to work cross-functionally
13 with some of the product teams on the business strategy
14 side and continued that, predominantly looking at the
15 Kik Points product as well as the bots platform, looking
16 at, like, the go-to-market strategy for bots, and
17 continued some ad hoc financial analysis.

18 **Q Okay. And what happened after that?**

19 A After that -- continued that work, and in the
20 fall of 2016, transitioned to working on the project
21 with Credit Suisse.

22 We were looking at a potential fundraise or an
23 acquisition of Kik, and through that process started to
24 engaged in the project around Kin as well.

25 **Q Okay. In terms of your titles, I see a**

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1 as an analyst.

2 **Q Okay. And correct me if I'm wrong, Kik --**
3 **Kik's headquarters is located in the same place as your**
4 **college?**

5 A Correct.

6 **Q Great. Okay.**

7 **Did you -- after that internship, did you**
8 **subsequently work again for Kik?**

9 A Yes.

10 **Q Tell me about that.**

11 A I returned to school for a semester and
12 subsequent to that semester, started at Kik full-time
13 and transitioned to doing classes at night.

14 **Q Oh, interesting. Okay. Roughly when did you**
15 **transition to working full-time at Kik?**

16 A I returned in January, and my full-time offer
17 started in March.

18 **Q Of what year?**

19 A That would have been 2015.

20 **Q Okay. And what did you -- when you started**
21 **working full-time at Kik, what were you doing?**

22 A I was continuing to work with Peter as an
23 analyst on the finance team.

24 **Q And at a high level, what did that work**
25 **entail?**

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1 **Manager, Special Initiatives, from May '16 to October**
2 **'17.**

3 A Correct.

4 **Q Do you see that?**

5 A Yep.

6 **Q How does that fit in with the -- sort of you**
7 **talked about the substantive work that you were doing**
8 **over time.**

9 A Yep.

10 **Q How does that title fit in?**

11 A Yeah. So the title was given to me as a --
12 because I was working across a few different teams and
13 working cross-functionally, so this was an opportunity
14 to have a title that was given to me that more
15 represented the fact that I was working across different
16 projects concurrently.

17 **Q And in terms of who you reported to over time,**
18 **I would suspect that Kik may not be as hierarchical as**
19 **other places where one could work, but who did you**
20 **report to, let's start with, when you began working**
21 **cross-functionally? Were you still reporting to Peter**
22 **Heinke?**

23 A Correct.

24 **Q Okay. Throughout that period?**

25 A Yes.

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1 **Q When you were working -- I think you had**
2 **mentioned a project involving Credit Suisse and looking**
3 **for an acquisition?**
4 A Correct.
5 **Q Were you still reporting to Peter then?**
6 A Yes.
7 **Q Okay. And then as you began to work on the**
8 **Kin project, still reporting to Peter?**
9 A Yes.
10 **Q Interesting. Do you still report to Peter?**
11 A I do not.
12 **Q Okay. Tell me about that. How'd that change?**
13 A Peter transitioned out of the company, and I,
14 subsequent to him transitioning out of the company, now
15 report to Ted Livingston.
16 **Q When did Peter leave the company?**
17 A Peter left the company in June of this year.
18 **Q I see. So up until his departure, you**
19 **reported to him?**
20 A Yes.
21 **Q But I take it you worked across different**
22 **functions over time?**
23 A Correct.
24 **Q Okay.**
25 **There's a title here, Director, Corporate**

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1 **Strategy and Development, starting in October 2017?**
2 A Yes.
3 **Q Tell me about how you got that title.**
4 A That was a title that was given to me at the
5 time that we started to engage on the Credit Suisse
6 project -- or, sorry, not during the Credit Suisse
7 project.
8 This title was given to me this past fall and
9 was a promotion that Peter gave to me.
10 **Q Great.**
11 **Tell me about -- Kik is a technology company;**
12 **correct?**
13 A Correct.
14 **Q And it's transitioned -- we're going to talk**
15 **about this over the next day or two -- it's transitioned**
16 **into the crypto space; correct?**
17 A Correct.
18 **Q Tell me about your background either with**
19 **technology or crypto, prior to joining Kik, let's start.**
20 A Yep. So when I was in university, I was in a
21 finance class and the professor had us, rather than an
22 exam, write a thesis paper for the end of the semester.
23 And we were assigned topics. I was assigned
24 the topic of Bitcoin, so that's when I was first
25 introduced to cryptocurrency.

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1 Wrote the paper for the class, delivered a
2 presentation, and at that point started taking an
3 interest in cryptocurrency on a personal level.
4 **Q Okay. And that's continued over time?**
5 A Correct.
6 **Q How would you characterize your expertise with**
7 **cryptocurrencies?**
8 A I would characterize my expertise with
9 cryptocurrency not on the implementation of, like, smart
10 contracts and the actual development of code, but an
11 understanding of economics around cryptocurrency, some
12 of the go-to-market, and some of the applications of
13 both cryptocurrency and ancillary services.
14 **Q Got it. So you're not a coder or someone who**
15 **can implement them?**
16 A Correct.
17 **Q But you -- I take it, given your background,**
18 **both in college and then your work at -- at university**
19 **and then at Kik, you feel comfortable thinking about the**
20 **economics and implementation of a crypto project?**
21 A Correct.
22 **Q And is that -- this -- just to foreshadow, at**
23 **a high level, is that what you said -- would you agree**
24 **that that -- those fields were what your role was on the**
25 **Kin project?**

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1 A Correct.
2 **Q Okay. Got it.**
3 **So -- can I take that document back? We're**
4 **going to try to stay organized.**
5 A Cool.
6 **Q So prior to the Kin project, which we're going**
7 **to -- will be the bulk of our conversation, is it right**
8 **that Kik's main business line was a messaging app?**
9 A Correct.
10 **Q Okay. Tell me about the messaging app.**
11 **How -- I think it's -- how does it work?**
12 A Yep. So the messaging app is username-based,
13 so you do not need a phone number to sign up for Kik.
14 That was one of the things that made Kik very unique at
15 the outset.
16 It was launched around the same time as
17 WhatsApp, actually, and WhatsApp required a phone
18 number, Kik did not.
19 And one of the things that makes Kik unique,
20 given that it is based on usernames, is that users have
21 control over their identity within the app, and Kik had
22 a lot of its growth based on the fact that users were
23 coming and meeting around shared interests, either on
24 Kik or on other apps, sharing their username, and then
25 coming to Kik to chat.

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1 **Q When was the messaging app first created? Do**
2 **you know?**

3 A 2010.

4 **Q So that predates, by a couple years, your**
5 **joining Kik; correct?**

6 A Correct.

7 **Q Okay. And how would you characterize the**
8 **messaging app's performance over time?**

9 A So the messaging app had a relatively meteoric
10 rise at the outset, was subsequently shut off from the
11 Blackberry app store at the time, and user growth went.

12 So it started with zero to a million users in
13 15 days; million to 2 million, 7 days; and then went
14 almost to zero after it was shut off from the Blackberry
15 app store.

16 And then subsequently grew MAU
17 month-over-month for years. Even when I joined, monthly
18 active users were continuing to grow.

19 It then started to flatline and plateau for a
20 few quarters, and then subsequently started to decline,
21 I believe, around 2015.

22 **Q Okay. Why did it start to decline?**

23 A It was something that we were seeing general
24 trends across messaging industries in general. Largely,
25 a lot of the messaging and other applications were

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1 **Q Okay. How did -- how, over time, did Kik try**
2 **to handle that challenge?**

3 A So there are two components. One was a
4 differentiation from some of the Facebook product. So
5 really leaning into the username-centric product and
6 building products around connecting around shared
7 interests.

8 So Public Groups is one of the products within
9 Kik today that continues to growth and actually does
10 have positive growth.

11 Also, there were starting to be discussions --
12 the first time I was privy to these was in 2016. There
13 was a discussion between some of the founders of Tango
14 and Viber about the shared challenges that everyone was
15 facing and where some product differentiation may exist.

16 **Q And did anything come of those discussions?**

17 A There were -- nothing that came in the form
18 of, like, formal acquisition one way or the other.

19 That's were discussions initially started, but
20 part of that discussion was would there be a potential
21 business model that would allow different once competing
22 entities to actually work together and kind of
23 consolidate efforts.

24 **Q Okay.**

25 **Tell me about the Kik messaging app's user**

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1 starting to be consolidated by a few large entities
2 called, like, The Big Four: Facebook, Amazon, Google,
3 and Apple.

4 And there's a lot of consolidation there, so
5 they're starting to see some decline in user growth not
6 just in our platform, but others.

7 **Q Let's take the time period you first joined**
8 **Kik prior to the Kin project --**

9 A Yep.

10 **Q -- and the like. Who were -- who would you**
11 **say were the main competitors that Kik faced?**

12 A Yeah. So when I first joined, the main
13 competitors would have been Facebook Messenger,
14 WhatsApp, Tango, Viber, and I would say Line as well,
15 although geographically they had a bit of a different
16 demographic.

17 **Q Right. And I take it the -- some of those**
18 **competitors weren't Facebook. I take it they faced**
19 **similar competitive pressures --**

20 A Correct.

21 **Q -- that Kik did?**

22 A Yep.

23 **Q That Facebook was sort of beginning to feel**
24 **monopolizing in this space? Is that fair?**

25 A Absolutely.

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1 **base.**

2 A So the user base is predominantly U.S. When I
3 first joined, the demographic was largely teens and
4 young adults. The user base demographic now has now
5 shifted to 24 to 34 is where the largest cohort of
6 users -- active users are.

7 **Q Interesting. When did that shift take place?**

8 A I don't know exactly when, like, the tipping
9 point happened from one bucket to the other.

10 Largely, the users that are in that 24 to 34
11 age bucket are long-tenured users, so they stayed on the
12 messenger and got older --

13 **Q Right.**

14 A -- essentially.

15 **Q So let's say Kik could have attracted**
16 **teenagers in the early twenty-teens, if it's a decade I**
17 **can refer to, and they may have stayed on the platform**
18 **over time?**

19 A Correct.

20 **Q Got it.**

21 **You had referenced one metric already that I**
22 **think we should just define. You said "MAU"?**

23 A Yeah. Monthly Active Users.

24 **Q Okay. Is that one way Kik tracks the**
25 **performance of the messaging app?**

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1 A That is one of the metrics that Kik tracks.

2 **Q Are there other major ones?**

3 A Daily active users would be another one. And
4 one of the key metrics that Kik tracks today is number
5 of users who had a reciprocal conversation with someone
6 new, so that this is users who are making a new friend
7 on Kik, essentially, and then had a reciprocal
8 conversation.

9 **Q Interesting. Okay.**

10 **What do people -- I'm sure people use Kik, the**
11 **messaging app, for all kinds of things. How would you**
12 **characterize what typical, you know, sort of use cases**
13 **are in the Kik messaging app?**

14 A Mm-hm. So largely, talk about Kik as a chat
15 community. One of the things that makes it unique,
16 differentiated from a chat utility -- something that
17 Facebook, for example, often talks about their product
18 as a utility, where, I mean, it serves the function of
19 sending messages back and forth; you connect with
20 someone and have a conversation -- Kik, as a chat
21 community, is somewhere where people come and connect
22 around a shared interest or actually meet one of their
23 friends on Kik on Kik, and that would be a -- kind of a
24 key area of differentiation.

25 **Q Okay.**

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1 **Again, in the period prior to the Kin token**
2 **project, how did Kik make money from the messaging app?**

3 A There were two main revenue drivers. One was
4 banner ads, so just having an -- advertising in certain
5 screens on the app.

6 And then there was also the Kik Points
7 project, which had advertisers pay to offer an offer to
8 users that they were then rewarded in Kik Points.

9 **Q And I think we'll drill down on that Kik**
10 **Points project in a few minutes. Were there any**
11 **other -- aside from banner ads and Kik Points, were**
12 **there any other projects prior to the Kin project,**
13 **chronologically, that were undertaken in order to**
14 **monetize the messaging app?**

15 A Those were the only two direct
16 revenue-generating products.

17 **Q Okay. How profitable were banner ads for Kik?**

18 A They were not very profitable. If I had to
19 qualify it, I believe it was tens of thousands of
20 dollars in a month --

21 **Q Okay.**

22 A -- perhaps.

23 **Q So you would agree that Kik didn't plan to**
24 **achieve, you know, profitability through banner ads?**

25 A Correct.

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1 **Q Okay. So -- again, we'll turn to Kik Points**
2 **in a -- I'm sorry. We'll turn to Kik Points in a**
3 **minute, but I take it some of Kik's competitors -- I'm**
4 **thinking Facebook -- were able to generate profits from**
5 **their messaging utilities?**

6 A To the best of my knowledge, up until
7 recently, Facebook Messenger, the actual messaging
8 client, was generating revenue. The Facebook, like, web
9 page and the Facebook mobile app for profiles was where
10 there was ad revenue generated, but that funded the
11 messaging product.

12 **Q Got it. So Kik -- again, this is all prior to**
13 **Kin.**

14 A Yep.

15 **Q Kik is facing a competitor who's happily, you**
16 **know, taking a loss in its messaging system because it's**
17 **profitable in other spaces?**

18 A Exactly.

19 **Q And Kik doesn't have another space to turn to**
20 **for that?**

21 A Correct.

22 **Q Got it. Okay. Tell me -- not briefly. Tell**
23 **me about Kik Points.**

24 A Kik Points?

25 **Q Yeah.**

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1 A Yeah. So Kik Points was a product that was
2 launched right around the time when I first joined Kik,
3 and was initially released as a beta to test the
4 hypothesis if you could have a user earn and spend
5 natively in one digital currency.

6 So there was no way to buy Kik Points at the
7 time, and you could not use them outside of the Kik
8 Messenger, and was an opportunity to look at an
9 alternative to an advertising model where instead of
10 putting a banner ad in front of users, get them to
11 complete an action that an advertiser or a brand valued.

12 So a survey, for example, that a brand values,
13 pay the user in Kik Points, pass that on to the users,
14 and then they could then spend the Kik Points on content
15 within Kik.

16 **Q What content?**

17 A Largely stickers, I believe, was the main
18 spend opportunity.

19 **Q We're going to talk about stickers more today.**
20 **What's a sticker?**

21 A A sticker is a shareable piece of content,
22 like an emoji, essentially.

23 **Q And stickers and emojis were valuable to**
24 **people who used the Kik messaging app?**

25 A Yes.

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Q Why is that?**A** It was a piece of expressive content.

So in this type of a chat community where people are actually meeting each other and some of their only relationship actually happens in the digital world, this is an opportunity, outside of just text, to express themselves.

Q Okay. So for personal expression?**A** Yes.

Q Were stickers -- we had talked earlier about the Kik messaging app's user base, which I think -- again, it can -- I'm sure it ranges from very young to elderly, but the core of it were originally teenagers and then teenagers as they grew into young adulthood; is that right?

A Correct.

Q Would you say that stickers were particularly appealing to that demographic and user base?

A Yes.

Q Okay. And why is that? Just to spell that out.

A We saw a lot of engagement within the product itself, so users were sharing a lot of expressive content, and subsequent to that as well -- or in addition to that, saw a lot of market research, both

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in terms of spend opportunities, and what they wanted to spend on; what was engaging on earning opportunities; and then also testing the hypothesis of a user spending some time to earn in a digital currency and then subsequently spend that digital currency.

Q Got it. And particularly that last point, that users would be willing to earn and spend in a digital currency, I take it gave some confidence that the future Kin project, you know, might attract people to use the currency?

A Correct.**Q Got it.**

Why stop the project? The project was stopped; correct?

A Correct.**Q Why?**

A So the project was stopped because it had a ceiling, essentially, and it was a centralized economy in Kik. So users could only earn in Kik and only spend in Kik, when we knew that users wanted to spend on things that were outside of Kik and also spend a lot of time in other applications where there may be potential to earn.

And their -- the Kik Points project was stopped because it provided an opportunity to take a

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direct -- so our Consumer Insights team, which spends a lot of time doing user research on Kik's existing users, had heard a lot of feedback from users that it was a product they enjoyed and valued.

And we were also seeing, with some of the other messengers, that they saw a lot of success with stickers and emojis.

Q Okay. And so in the Kik Points program, from Kik's perspective, is it right that Kik was essentially helping advertisers sell advertisements or surveys or content that mattered to the advertisers and getting paid by the advertisers for that?

A Correct.**Q Okay. Was it successful?****A** I would say it was successful.**Q Okay.**

I think I've seen -- and I'm not going to hide the ball -- I think I've seen the CEO of Kik, Mr. Livingston, talk about that as a precursor experience for the Kin project --

A Correct.

Q -- is that right? Why was it a precursor project or something that informed the Kin project?

A Yeah. So Kik Points provided a lot of learnings around a couple of things: What users valued

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step back and look at other potential projects that Kik could dedicate resources to.

There was a lot of resources on Kik Points and it did not look like it, in and of itself, would drive profitability.

Q Okay. So from that answer, correct me if I'm wrong, I'm hearing that while people with -- people could only spend their Kin -- their Kik Points inside the Kik messaging app; correct?

A Correct.**Q For stickers or expressive content --****A** Yep.

Q -- things like that? And am I right then that, at least from what you understood, people wanted to do more than that with the Kik Points they had earned?

A Yes. There -- I am making -- the users wanted to -- there were questions in some of the consumer insights could users buy Kik Points or could they spend it on things other than just stickers and smiles in Kik.

Q Can -- what you -- from what you understood, what did users want to do outside of that?

A I'm not sure. That was something I had heard from the Consumer Insights team, that they wanted to

1 earn and spend outside of just Kik.

2 **Q Okay. But you don't know what they wanted**
3 **to --**

4 A No.

5 **Q Okay.**

6 And so you would use -- we're going to be
7 saying the terms, I think, "centralized" and
8 "decentralized" a bit more today. Decentralization,
9 correct me if I'm wrong, is part of the thesis of the
10 Kin project; correct?

11 A Correct.

12 **Q And so by contrast of that, centralization in**
13 **Kin -- in Kik Points, the centralization of that, is**
14 **that the earn and spend opportunities were only within**
15 **the Kik messaging app?**

16 A Correct.

17 **Q Was there another aspect in which that project**
18 **was centralized?**

19 A The other aspect of that would be that Kik
20 Points -- all of the accounting for Kik Points,
21 essentially, was run on Kik servers.

22 **Q Okay. Okay.**

23 So we see -- just setting things in time, when
24 did you first hear that Kik was considering a
25 decentralized or crypto project?

1 A The first time that it was introduced to me
2 was, I believe, January of 2017.

3 **Q Okay. Let's talk about Kik around and**
4 **slightly before that time, January 2017.**

5 Did -- from your perspective, did Kik have a
6 monetization strategy in place?

7 A At the time, the monetization strategy was not
8 well-defined in terms of the exact revenue-generating
9 project -- products. Majority of resources were
10 allocated to user growth.

11 We had just implemented a video messenger, and
12 that was through an acquisition of rounds, and there was
13 discussion of revenue-generating products that could be
14 added to video messaging component, but those
15 revenue-generating products were not well-defined at the
16 time.

17 **Q From your perspective, was Kik struggling at**
18 **that time?**

19 A From my perspective, user growth was
20 continuing to decline and Kik was dedicating more
21 resources to user growth.

22 **Q Did Kik have -- in your view, did Kik have --**
23 **were those resources likely to bear fruit?**

24 A I believed they were.

25 **Q Okay. But, again, without some monetization**

1 **strategy -- was there a monetization strategy to**
2 **accompany increased -- a hoped for increased user**
3 **growth?**

4 A The monetization strategy that I was aware of
5 was tied to the integration of the video messenger and
6 adding revenue-generating products on top of that.

7 **Q Advertisements?**

8 A Advertisements or filters for the video,
9 similar to what SnapChat was doing in terms of their
10 filters on videos and photos.

11 **Q I'm just -- I -- and you were doing a variety**
12 **of tasks for Kik at that time?**

13 A Correct.

14 **Q Were you privy to Kik's financials?**

15 A Yes.

16 **Q Okay. How was Kik performing financially?**

17 A Kik was operating at a loss month-over-month.

18 **Q Okay. And is it right that Kik would either**
19 **require, at some point, profitability or more money in**
20 **order to keep operating?**

21 A Correct.

22 **Q Okay. Let's talk about the latter. Had you**
23 **-- have you ever heard the term "runway" used in**
24 **connection with Kik's cash situation?**

25 A Yes.

1 **Q What does that mean?**

2 A "Runway" referred to how long the company
3 could continue to operate at its current burn rate.

4 **Q And let's -- I'm -- arbitrarily, late 2016,**
5 **did Kik have a runway that you were aware of?**

6 A Yeah. Kik had a runway, at the late 2016 -- I
7 don't remember the exact date, but I believe when the
8 initial project with Credit Suisse was undertaken, there
9 was a runway of approximately a year.

10 **Q Okay. Raise money in a year, find**
11 **profitability, or else Kik is out of business?**

12 A Yes. Or acquisition.

13 **Q Or acquisition. Right.**

14 A Yeah.

15 **Q Okay.**

16 Kik -- we're going to turn to Credit Suisse
17 and the project it sounds like you were involved in in a
18 minute. Kik had raised money, obviously, prior to this;
19 correct?

20 A Correct.

21 **Q Were you involved in any of that?**

22 A I was not directly involved in any of the
23 financing activity.

24 **Q Okay. So Credit Suisse was the first time you**
25 **were involved in searching for financing for Kik?**

1 A Correct.

2 **Q Kik had -- had there been an investment --**

3 **again, whether you were involved in it, I'm just asking**

4 **what you know -- had there been an investment in Kik**

5 **prior to a -- by a company called Tencent?**

6 A Yes.

7 **Q Is that T-E-N-C-E-N-T?**

8 A Correct.

9 **Q Tell me what you know about that.**

10 A What I know, the financing from Tencent was --

11 so they did the Series D, which was \$50 million

12 investment at a billion dollar valuation. That was

13 driven based on conversations that Ted and Peter had had

14 with Tencent management that they felt that Facebook was

15 becoming increasingly dominant in the North American

16 market, and if anyone was in a position to potentially

17 disrupt some of Facebook's products, Kik was in a good

18 position.

19 There's an article written, I believe, called

20 Kik is -- could be the WeChat of the West, and that was

21 really driven off of the business model that WeChat had

22 implemented in their core markets and if Kik could

23 potentially replicate some of that here in North

24 America.

25 **Q WeChat, correct me if I'm wrong, and just for**

1 **the record, is a very dominant company in the Chinese**

2 **market?**

3 A Correct.

4 **Q Okay. And so the hope and the basis of this**

5 **billion dollar valuation underlying the Tencent funding**

6 **was that Kik could hopefully obtain that level of scale**

7 **in the West?**

8 A Correct.

9 **Q Okay. All right.**

10 **When -- in terms of the Credit Suisse project,**

11 **was -- we're now -- first, let me ask it in a better**

12 **way. Roughly when did the Tencent funding take place?**

13 A That was the summer of 2015.

14 **Q Okay. So now we're a year and a half later, I**

15 **think, with the Credit Suisse project?**

16 A Correct.

17 **Q Were the valuations Kik were looking at**

18 **similar to the valuations a year and a half earlier, or**

19 **had it dropped?**

20 A It had dropped.

21 **Q Okay. Tell me about that.**

22 A The -- some of the core metrics that largely

23 drove a lot of valuation discussions that Credit Suisse

24 was putting together in their models had declined in the

25 time since the Tencent investment, so they were looking

1 at a valuation likely lower than the billion dollar

2 valuation that came from the Tencent investment.

3 **Q Okay. What would be the core metrics?**

4 A Active users and time spent in the app.

5 **Q All -- those were both declining?**

6 A Yeah. Aggregate time spent in the app had

7 declined based on the fact there was less users.

8 **Q Got it. And roughly -- I don't need an exact**

9 **dollar amount -- can you give me a sense of the decline**

10 **of the implied valuation?**

11 A Yeah. I believe it had -- implied valuation

12 was anywhere from 40 to 50 percent lower.

13 **Q Got it. Okay.**

14 **So I think we've done some foreshadowing here.**

15 **Tell me about the work you did in connection with Credit**

16 **Suisse and that project.**

17 A Yep. So Credit Suisse was working on

18 activities related to acquisition or financing. They

19 had an A team that was driving this, and I worked

20 alongside them to pull together data, help with some of

21 the financial modelling, as well as some of the user

22 metrics, and forecasting some of the user growth related

23 to some of the new products that were added to Kik.

24 **Q So Credit Suisse was acting an -- as**

25 **investment bankers for a potential transaction for Kik?**

1 A Correct.

2 **Q And the transaction could have been an**

3 **acquisition of Kik?**

4 A Yes.

5 **Q In whole or in part?**

6 A Yep.

7 **Q Okay. Or just additional funding?**

8 A Correct.

9 **Q Okay. And tell me what you know about what**

10 **Credit Suisse did.**

11 A So Credit Suisse identified potential

12 acquirers, as well as a few targets, that may be

13 interested in financing and was able to coordinate

14 meetings with them as well as put together pitch decks,

15 valuation models, and coordinated for Ted to meet with

16 the decision makers with those companies.

17 **Q And we're going to say "Ted" a lot today. I**

18 **take it that's Ted Livingston we're --**

19 A Ted Livingston, yes.

20 **Q He often goes just by "Ted"?**

21 A I refer to him, typically, as Ted, yes.

22 **Q Okay. Okay. I don't want to be offensive if**

23 **--**

24 A Yeah.

25 **Q -- I occasionally slip and say "Ted." Okay?**

1 A Ted.

2 Q Okay.

3 So tell me about who -- just generally, who
4 were the other -- if you had to categorize the potential
5 acquirers of Kik, what -- other messaging apps? Other
6 types of companies?

7 A Yeah. There were other messaging apps, a few
8 media conglomerates that had a portfolio of applications
9 or content providers, as well as a couple of
10 content-driven businesses.

11 Q Okay. Did -- I take it no one acquired, in
12 whole or in part, Kik?

13 A Correct.

14 Q Do you know why that didn't happen?

15 A There was not significant interest from the
16 first round of potential acquirers that Credit Suisse
17 had discussions with.

18 Q And tell -- do you know why that was? I take
19 it a year and a half ago, Kik had gotten funding, at
20 least, at a billion dollar implied valuation from a
21 prominent company in this space.

22 Do you know why, a year and a half later,
23 there hadn't -- there wasn't, you know, interest in
24 going beyond the first round from an acquirer?

25 A The feedback that I had heard was that there

1 were a number of new products that had just been
2 launched around the same time -- so video, for example,
3 was one that was just integrated, as well as updates to
4 public groups -- and some of the potential acquirers
5 wanted to wait and see what that -- what impact those
6 had on the growth metrics.

7 Q Okay. So Kik, I take it, from the acquirers'
8 perspective, was in a sort of unknown transition? Is
9 that a fair --

10 A Correct.

11 Q Okay.

12 And how about on the funding side? Let's
13 leave acquirers aside. Was Credit Suisse able to line
14 up at least interest in potential -- from potential
15 funders?

16 A To my understanding, they had some interest,
17 but Credit Suisse was less interested in driving a
18 fundraising project.

19 Q Why is that?

20 A They were looking at more of an acquisition.
21 That's what they were initially tasked with.

22 Q Oh. Did Kik have a view either way, to your
23 knowledge?

24 A I am not sure.

25 Q Okay. That's fair.

1 BY MR. MITCHELL:

2 Q Who tasked them?

3 A That was a decision made by management to hire
4 Credit Suisse.

5 Q Sorry, and did Kik's management give them the
6 task of finding an acquisition as the sort of first
7 option?

8 A I believe that was the first option.

9 Q Sorry, and who -- I'm sorry, and Kik's
10 management -- that was Kik's management's first option?

11 A I believe so, yes.

12 BY MR. LEASURE:

13 Q And I take it hiring Credit Suisse and looking
14 at potential acquisitions is a, from your perspective, a
15 significant management decision within Kik?

16 A Correct.

17 Q Tell me about, from your perspective, who at
18 Kik, during this time, drove significant management
19 decisions.

20 A Significant management decisions were driven
21 by Ted and Peter, from my perspective, as well as Erin
22 Clift, who was employed at the time as CMO.

23 Q And Erin Clift is C-L-I-F-T?

24 A Yes.

25 Q Kik was and is a private company; correct?

1 A Correct.

2 Q And so Kik had private venture capital backing
3 it --

4 A Correct.

5 Q -- is that right? Were people at those
6 venture capital firms, to your -- from your perspective,
7 also involved in management decision -- major management
8 decisions for Kik?

9 A To my understanding, the board was involved in
10 some of these decisions.

11 Q Kik had an active board?

12 A Yes.

13 Q Okay. Did you interface with those board
14 members regularly?

15 A At the time, I did not interface with the
16 board regularly.

17 Q Okay. You say "at the time." Subsequent to
18 that?

19 A Subsequent to that, in the past six months, I
20 have been more actively-engaged with the board.

21 Q On anything in particular?

22 A I have attended the past two board meetings.

23 Q Okay. We had walked through your CV at the
24 beginning. Is it fair to say that, over time, and even
25 through the Kin project, you've advanced within Kik?

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1 A Yes.

2 Q Great. Congratulations.

3 A Thank you.

4 Q We're going to talk about the move to the

5 crypto sphere shortly. At a high level, would you agree

6 that Kik saw the move to crypto in part as an

7 alternative way to raising financing for Kik?

8 A I believe that the crypto project was a way to

9 launch a new business model to move to something that

10 not only Kik could use, but other apps in the space that

11 were also struggling could potentially use as well.

12 Q So an alternative business model for Kik?

13 A Kik and other applications.

14 Q Okay. But it -- what other applications?

15 A Other apps that were struggling with the same

16 type of growth and monetization problems.

17 Q Okay. Was the Kin project done in the hopes

18 that Kik could achieve profitability?

19 A The project was done in the hopes that Kik

20 would adopt the business model of Kin --

21 Q Right.

22 A -- and have sustainability from Kin.

23 Q Okay. And "sustainability" being make enough

24 money to keep Kik ongoing?

25 A Have a, yeah, sustainable monetization path.

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1 Q Okay. Yeah, and I don't want to mince words

2 here. Just to be clear: Obviously, Kin -- the Kin

3 project might help other applications, people, out there

4 in the space benefit; correct?

5 A Correct.

6 Q But it wasn't done as a -- the Kin project

7 wasn't a charity run by Kik; correct?

8 A It was not a charity, no.

9 Q Right. Right.

10 But again, so at around -- as we see it,

11 around the time the Kin project is being contemplated,

12 in early '17, there were also efforts to fund -- to

13 either have Kik acquired or to raise funds for Kik;

14 correct?

15 A Yes.

16 Q But from your perspective, Kin -- the Kin

17 project -- you don't understand the Kin project as an

18 alternative way of fundraising for Kik?

19 A I do not see it as exclusively a fundraising

20 activity.

21 Q Not exclusively? In part?

22 A I saw the Kin project as an alternative

23 business model that did have a fundraising component as

24 well.

25 Q Fair enough.

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1 So let's, counterfactually, say that Kik

2 didn't move into crypto in 2017, that the business model

3 remained as it was. I think you had mentioned that

4 there was a move into video --

5 A Yep.

6 Q -- correct? That was the latest?

7 A Mm-hm.

8 Q What -- again, let's say Kik hadn't moved into

9 crypto. What do you think would happen with Kik in

10 2017?

11 A There were discussions about reducing head

12 count and going all-in on a couple of the new products

13 that were being launched, so video and public groups.

14 Q Okay. And so dropping other projects, as you

15 reduce head count?

16 A Potentially.

17 Q What projects would have been dropped? Just

18 curious.

19 A I'm not sure.

20 Q Okay.

21 Did Mr. Livingston have a view on dropping

22 head count and moving full bore into certain projects?

23 A I'm not sure.

24 Q Okay. Would -- is it your expectation that --

25 again, we're in the counterfactual world without the Kin

Page 45

1 project.

2 Is it your expectation that Kik likely would

3 have had to raise money in 2017 to remain ongoing?

4 A Yes.

5 Q Okay. Do you have a sense on scale? How much

6 money Kik would have needed?

7 A I'm not sure.

8 Q Okay.

9 Did you think the move to crypto was a good

10 idea for Kik?

11 A I did.

12 Q Why?

13 A I felt that it was a good move because it was

14 an opportunity to disrupt the monopolistic environment

15 that we were seeing with the consolidation of a few of

16 the large incumbents, namely Facebook and Google, and

17 Kin was opportunity to create a new business model that

18 not only Kik could use, but other applications that were

19 facing the same struggles could also use, and for the

20 first time ever, really, actually align.

21 Similar to the conversation I had mentioned

22 before that I had heard about Tango and Viber: Some

23 type of a business model that would allow those

24 businesses to all work together.

25 Q I've seen on, you know, YouTube posts and

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1 social media posts, Mr. Livingston talks a lot about Kin
2 as an alternative method of competition against large --
3 I think you said monopolistic, like Facebook,
4 competition --

5 A Yep.

6 Q -- correct? Just to help me understand that,
7 Kin is not just competing in the messaging space;
8 correct?

9 A Correct.

10 Q What -- how would you -- to the extent Kin is
11 successful in competing with larger monopolistic
12 companies, like Facebook, how would you define the field
13 of competition? What are they competing over?

14 A I would define the competition of Kin, the
15 currency, as competing against the digital application
16 environment, so whether that is content or messaging or
17 anything where users are having digital experiences,
18 predominantly around communities.

19 Q So online communication, particularly around
20 communities?

21 A Communication, content sharing, anything where
22 users are engaging in peer-to-peer interactions or value
23 transfer or generating content.

24 Q To a layperson who doesn't participate in
25 social media much, that sounds like a much expanded

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1 battlefield than just a messaging app.

2 A Correct.

3 Q Okay. Would you agree it's an ambitious
4 project then?

5 A Yes.

6 Q Okay.

7 So tell me about -- we touched on this a bit,
8 but tell me maybe more fulsomely how the idea to do an
9 ICO came about at Kik.

10 A I was first introduced to the idea when Ted
11 was in a meeting with Peter Heinke, Derek Lebert, who
12 was the director of finance at the time, and I, and he
13 referenced that Fred Wilson had sent an e-mail to Ted
14 that it was time to reevaluate the potential of
15 launching a cryptocurrency.

16 Q Okay. And I'm just going to do some names, if
17 you don't mind.

18 MR. LENCH: You know, I just want to say,
19 because it looks like you're about to get into another
20 area, I know we've been going something close to an hour
21 and a half, so when you're at a good stopping point,
22 maybe we can take a break?

23 MR. LEASURE: That's just fine. Can I do --

24 MR. LENCH: Yeah.

25 MR. LEASURE: Can I just do a few names that

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1 he just gave?

2 MR. LENCH: Yeah, please.

3 BY MR. LEASURE:

4 Q Mr. Lebert, L-E-B-E-R-T?

5 A Yeah.

6 Q He was in a finance role, you said?

7 A Yes.

8 Q Tell me about that.

9 A He was the director of finance.

10 Q Oh. Under Peter?

11 A Yes.

12 Q Got it. Did you report to him?

13 A No.

14 Q You reported directly to Peter?

15 A Yes.

16 Q And then you said Fred Wilson. Who was that?

17 A He is a partner at Union Square Ventures.

18 Q Is he on the board of Kik?

19 A Yes.

20 Q Is he one of the -- I take it Union Square is
21 one of Kik's venture capital funders?

22 A Yes.

23 Q Okay.

24 Let's take a break. Go off the record.

25 THE VIDEOGRAPHER: We're going off the record.

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1 The time is now 10:29 and 7 seconds on the video
2 monitor.

3 (A recess was taken from 10:29 a.m. to 10:41
4 a.m.)

5 THE VIDEOGRAPHER: We are back on the record.
6 The time on the video monitor is 10:41 a.m.

7 BY MR. LEASURE:

8 Q Back on the record after a brief break. I'm
9 going to ask you this every time we go back on the
10 record.

11 A Yep.

12 Q Did you and I have any substantive -- did you
13 have any substantive conversations about this
14 investigation with SEC staff during the break?

15 A No.

16 Q Thank you.

17 One thing before we turn to the decision to
18 consider a crypto project. You had talked about the
19 user base of the Kin messaging app -- Kik messaging app
20 and how it shifted over time where it began as a user
21 base with a significant amount of teenagers --

22 A Correct.

23 Q -- who then aged and stayed with the app where
24 it is now; correct?

25 A Correct.

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1 **Q** The one piece of that, frankly, my colleague
 2 pointed out that I didn't think of, is it sounds like
 3 within that, in recent years Kik hasn't been attracting
 4 new teenagers to the app?

5 A There is -- continues to be user
 6 registrations.

7 **Q** Of course.

8 A I haven't dug into the demographics of the
 9 specific registrations.

10 **Q** Okay. Is -- let me ask it in a better way
 11 then. Is Kik -- is the Kik messaging app as popular
 12 with teenagers as it was four or five years ago?

13 A No.

14 **Q** Do you know why that is?

15 A No. I am drawing that conclusion based on the
 16 fact that there are less teenagers on the app today than
 17 there were before.

18 **Q** Okay. Does the -- the Kik messaging app still
 19 exists and is an ongoing business by Kik; right?

20 A Correct.

21 **Q** Does it have a target demographic?

22 A The target demographic is early 20s.

23 **Q** Okay.

24 MR. MITCHELL: Why?

25 THE WITNESS: That's where the majority of

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1 A Correct.

2 **Q** How'd it come up?

3 A Ted referenced an e-mail from Fred Wilson that
 4 it was potentially time to look at this on the roadmap
 5 for 2017.

6 **Q** So from your perspective, it sounds like there
 7 had been, prior to that, some communications between
 8 Mr. Livingston and Mr. Wilson about a potential crypto
 9 project?

10 A Correct.

11 **Q** Did you ever hear what they were talking
 12 about?

13 A No.

14 **Q** Okay. What did -- at that meeting, or
 15 subsequent in January, what did Mr. Livingston say to
 16 you about a potential crypto project?

17 A The substance of the meeting was that now
 18 might be the right time to do this, and a large driver
 19 of that was that SnapChat, I believe, had just released
 20 their S1, which showed that they were starting to have
 21 user growth plateau.

22 And prior to the year ending in 2016, there
 23 were some conversations with some other messaging apps
 24 in the space who were suffering similar user growth
 25 issues.

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1 users are today on Kik.

2 MR. SCHLEGELMILCH: And is that a function of
 3 sort of the original user base sort of ageing up from
 4 teens to 20s?

5 THE WITNESS: I believe so. I'm not sure
 6 specifically the tenure of all the users on the app
 7 today.

8 BY MR. LEASURE:

9 **Q** So before we took a break, correct me if I'm
 10 wrong, I think you had said the first you heard of a
 11 potential project in the crypto space was -- well, maybe
 12 if you can repeat yourself. There was something
 13 involving a meeting with Ted and others about that?

14 A Yeah. The beginning of January 2017.

15 **Q** Okay. Tell me about that meeting and what
 16 happened.

17 A The meeting was with Ted Livingston, Peter
 18 Heinke, Derek Lebert, and myself. We were reviewing the
 19 roadmap for the year ahead, given it was the beginning
 20 of the year, and looking at where some of the potential
 21 projects may be in terms of not just allocating
 22 resources, but what was going to be the focus for the
 23 year ahead.

24 **Q** Okay. And somehow the -- a crypto project
 25 came up?

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1 MR. MITCHELL: Did Mr. Livingston say why
 2 that -- well, I'm sorry, why did Mr. -- I'm sorry. Let
 3 me start over.

4 Did Mr. Livingston say why he was connecting
 5 user growth issues with the timing of a new project?

6 THE WITNESS: They were seeing that other
 7 applications were having some of the same struggles
 8 competing against large monopolies.

9 BY MR. LEASURE:

10 **Q** So let me put it in my words and see if it's
 11 consistent with what you're saying and your
 12 understanding. Is the idea that there might be a
 13 secular challenge facing the messaging app space?

14 A Correct.

15 **Q** Okay. So if SnapChat and other competitors
 16 and peers in the space are face -- you were seeing them
 17 face problems, it might be time to do something more --
 18 something -- not like -- it might be time to do
 19 something outside the sphere of just the same thing?

20 A Correct.

21 **Q** Okay. And you would agree that the crypto
 22 project was that?

23 A Yes.

24 **Q** Okay.

25 Do you know how -- again, it sounds like you

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1 were just hearing about this at the meeting. I'm trying
 2 to see if you ever developed an understanding of how
 3 Mr. Wilson, Mr. Livingston, or other people in Kik's
 4 management, came to see crypto as an alternative to
 5 continuing to do the same thing.

6 A I had heard discussions about cryptocurrency
 7 prior to January, not in the specific sense of the --
 8 implementing that in the year 2017, but during the Kik
 9 Points project had heard references of other digital
 10 currencies, including Bitcoin and others. And I was
 11 aware that Ted had attended a meeting, I believe in 2011
 12 or 2012, that USV put on that was centered around
 13 cryptocurrency.

14 Q So -- and then subsequent to that meeting,
 15 from your perspective, had Mr. Livingston maintained an
 16 interest in cryptocurrencies and their potential?

17 A Yes.

18 Q Okay. And how -- just curious, how do you
 19 know that?

20 A I had heard references to Bitcoin and
 21 cryptocurrencies prior to January 2017 when this
 22 specific project was raised, and Ted had mentioned that
 23 he had taken an interest in cryptocurrencies.

24 Q Interesting.

25 And so early days for the potential Kin

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1 project, first third, first half, of 2017, who would you
 2 say was driving, if I could, the vision of doing a
 3 crypto project within Kik?

4 A Ted Livingston.

5 Q Okay. And in that -- maybe I should have
 6 defined those terms before I asked you that.

7 What was he doing to drive a vision for this?

8 What was his role in this?

9 A Ted's role in this was defining what the
 10 business model around the Kin project would look like as
 11 well as coordinating with stakeholders internally and
 12 externally to bring more people into strategy
 13 discussions.

14 Q Who were the key internal stakeholders?

15 A That would have been the executive team at the
 16 time, so -- yeah.

17 Q Was there resistance in the executive team to
 18 this vision?

19 A Not from my understanding, no.

20 Q Okay. And then key external stakeholders, who
 21 would those have been?

22 A The key external stakeholders early on was
 23 CoinFund, who was suggested by Union Square Ventures.

24 Q We'll turn to them in a minute, but did they
 25 advise Kik on the Kin project?

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1 A They did.

2 Q Okay. Any other key external stakeholders?

3 A In the first quarter?

4 Q Sure.

5 A No.

6 Q Okay. It wasn't public yet then; correct?

7 A Correct.

8 Q I take it after the idea of the project goes
 9 public, there's a lot more external stakeholders?

10 A Correct.

11 Q All right.

12 BY MR. MITCHELL:

13 Q Why was CoinFund key?

14 A CoinFund helped the initial stages doing some
 15 market analysis that was helpful for the rest of the
 16 executive team to learn more about cryptocurrency, the
 17 market, the potential opportunity.

18 Q What market?

19 A The cryptocurrency market.

20 BY MR. LEASURE:

21 Q Okay. What was -- again, early 2017, what was
 22 the vision for a potential crypto project?

23 A The vision at the beginning of 2017 was a
 24 currency that was used across different applications to
 25 facilitate a medium of exchange for users within those

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1 applications.

2 Q Not just inside the Kik messaging app?

3 A Correct.

4 Q And why would Kik do that?

5 A Kik would do that because it needed an
 6 alternative business model to the existing
 7 revenue-generating activities that Kik and others in the
 8 space were struggling with.

9 Q How would Kik get an alternative
 10 revenue-generating model from this vision?

11 A It would launch a decentralized ecosystem
 12 underpinned by a cryptocurrency that was used across
 13 different applications.

14 Q And how does Kik make money off of that?

15 A Kik would make money off of that by
 16 participating in this economy that paid out, through the
 17 Kin Rewards Engine, a daily payout for activity in
 18 different applications.

19 Q And I don't want to be cute, but how does Kik
 20 then make money in doing that? In participating in this
 21 economy?

22 A It would receive Kin for generating activity
 23 in their application, as well as other applications
 24 would do the same, would receive Kin and would be able
 25 to liquidate some of that Kin to fund business

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1 operations.

2 **Q Got it. Okay. And did -- was the vision that**
3 **Kik would itself hold some Kin and then sell it over**
4 **time?**

5 A Yes.

6 **Q Into the market as the market expanded?**

7 A Correct.

8 **Q And that hopefully it would be able to sell it**
9 **at a gain and fund its operations in that way?**

10 A It would sell Kin to fund its operations.

11 **Q Not at a gain?**

12 A It would sell Kin at the rate it needed to
13 fund its operations.

14 **Q Okay.**

15 **You used the term "ecosystem." Can you walk**
16 **me through a sort of -- let's take an idealized token**
17 **ecosystem, as you guys were contemplating a vision here.**
18 **Tell me about that ecosystem. How does it work?**

19 A The idealized ecosystem would be that users
20 are using a common currency across different
21 applications that they find the most value in.

22 We know users use multiple messaging apps, for
23 example, so in the past, Kik would compete against other
24 messengers for users' time and attention as well as
25 other content providers, and the idealistic view of Kin

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1 One thing that we've seen, and a lot of the
2 market has seen, is that digital apps and digital
3 communities are increasingly becoming
4 user-to-user-centric and users are empowered to, for
5 example, create content.

6 You see on Instagram and YouTube there's these
7 influencers and creators creating content, and this
8 would be a medium of exchange for users to actually
9 transact with each other and provide value between each
10 other.

11 **Q At early 2017, did you have a -- did you, or**
12 **other people at Kik, have a view of what type of content**
13 **might be attractive to this ecosystem?**

14 A Expressive content was the one that was most
15 often talked about. It's something that we had seen
16 success with not just in Kik, but in discussions with
17 other applications.

18 That's where they were seeing a lot of growth
19 in expressive content, so stickers, emojis. One in
20 particular that came to mind was Line was doing hundreds
21 of millions of dollars in revenue just through sticker
22 sale alone.

23 **Q That's Line, L-I-N?**

24 A E.

25 **Q When you say a focus on "expressive," is it**

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1 was that users would then use this currency across
2 different applications and there would be alignment
3 between once competing entities to actually lean into
4 their strengths and provide the best possible user
5 experience.

6 **Q Got it. And would Kik itself champion or**
7 **promote this ecosystem?**

8 A Kik would be a participant in the ecosystem
9 and launch products as well as continue to advance user
10 experience within their app.

11 **Q Okay. But I think we've already said**
12 **"decentralized." While Kik might have that role, it**
13 **wasn't designed to be centered solely on the Kik**
14 **messaging app?**

15 A Correct.

16 **Q Okay. What are -- you had said people would**
17 **want to use this currency; right?**

18 A Yes.

19 **Q In the idealized version, what are they using**
20 **it to do?**

21 A In -- users would be using Kin to transact not
22 just with the platform -- so for example, Kik or another
23 application, like, you would see buying premium content.
24 That is one application of the medium of exchange, but
25 also user-to-user value transfer.

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1 **right then that a target, or an anticipated user base,**
2 **for that would be younger people?**

3 A The expressive content is something that would
4 be young adults, teens, something that we'd seen a lot
5 of use within the Kik app, but also some other apps as
6 well that skew to the same user demographic as Kik.

7 **Q Got it. And so we're going to talk a bit more**
8 **about this in the future, but in terms of the alignment**
9 **of the anticipated user base for this project for the**
10 **ecosystem with the existing Kik Messenger app user base,**
11 **were they see as co-extensive? Was it anticipated that**
12 **it might be a different type of user base for the**
13 **ecosystem?**

14 A No.

15 **Q So they were seen as co-extensive?**

16 A Yes.

17 **Q Okay. Young -- teens, young people, and**
18 **expressive content?**

19 A And young adults.

20 **Q And young adult, I'm sorry. Young people,**
21 **young adults, teens, in their 20s, and expressive**
22 **content and --**

23 A I would say people in their 30s as well.
24 That's something that you see a lot of expressive
25 content in other messaging apps like Line being used by

1 people in their 30s.
 2 **Q Okay.**
 3 A 40s.
 4 **Q Okay. So not limited to teens and early 20s?**
 5 A Correct.
 6 **Q Okay.**
 7 Is a token ecosystem -- again, we've been
 8 talking about an idealized one before we turned to
 9 Kin -- is it reliant on network effects?
 10 A Yes.
 11 **Q Okay. Can -- we might use that term a bit**
 12 **today. Can you define your understanding of "network**
 13 **effects" in this space?**
 14 A Network effects would be defined as value
 15 being added by the more people engaging in the network.
 16 And there's a bit of a flywheel that gets
 17 going given that, I believe, the initial term of network
 18 effects was that it's N-squared. Based on the number of
 19 users that come on, you square that and that's the
 20 accretive value based on the number of users that come
 21 onboard. So it's not linear, but it's logarithmic.
 22 **Q And in a system like a token ecosystem where**
 23 **there are network effects, would you say there are first**
 24 **mover advantages or early mover advantages?**
 25 A Yes.

1 **Q Okay. Was that something people were aware of**
 2 **at Kik in 2017?**
 3 A The -- what was -- there was an understanding
 4 that in any network, it is important to get the flywheel
 5 going and having a lighthouse experience to demonstrate
 6 and qualify an opportunity such that more -- both
 7 developers and users come to that network and see the
 8 potential and develop and add value.
 9 **Q "Lighthouse" you said the term?**
 10 A Yeah, I used "lighthouse."
 11 **Q A "lighthouse" being a concept of a proven use**
 12 **or something useful in a product to attract people to**
 13 **begin using it?**
 14 A It's a qualifier.
 15 **Q Yeah. Okay.**
 16 MR. MITCHELL: Sorry, I have a question. What
 17 do you mean a "qualifier"?
 18 THE WITNESS: A lighthouse or a qualifier
 19 showing that there is use adoption, the product is
 20 working, and there's an opportunity there.
 21 BY MR. LEASURE:
 22 **Q Again, we're going to be walking through the**
 23 **Kin project chronologically over time. Do you think**
 24 **there was -- out of concern of achieving network effects**
 25 **or being an early mover in this market, do you think the**

1 **Kin project was at all rushed ahead as a result of those**
 2 **concerns?**
 3 A No.
 4 **Q Okay.**
 5 And then, again in the idealized version, what
 6 practically has to happen to attract people to use an
 7 ecosystem?
 8 A To attract people, there needs to be users and
 9 developers and a product and value.
 10 **Q Okay. And in terms of the product, do there**
 11 **have -- does there have to be certain technology in**
 12 **place for the product to attract people?**
 13 A The product would need to work.
 14 **Q Right. And what goes into making it work?**
 15 A Infrastructure as well as the user-facing
 16 product.
 17 **Q Sure. Infrastructure-wise -- well, let's take**
 18 **that term "infrastructure." What underlies a project**
 19 **like this?**
 20 A Like this?
 21 **Q Like -- again, we're in an idealized**
 22 **token ecosystem. What infrastructure is necessary?**
 23 A A blockchain.
 24 **Q A blockchain? Anything else?**
 25 A Products that are built on top of that.

1 **Q That's the user interface, or something else?**
 2 A Yeah, a user interacting with the product.
 3 **Q Okay.**
 4 BY MR. MITCHELL:
 5 **Q Can I just ask, on the blockchain, are all**
 6 **blockchains the same?**
 7 A No.
 8 **Q So is there -- I'm sorry, how are blockchains**
 9 **different?**
 10 A There are different implementations of a
 11 blockchain based on you could have a permissioned or a
 12 permissionless blockchain.
 13 Some run on a federated model that have a
 14 specific number of nodes.
 15 The way that transactions are confirmed can
 16 differ based on a proof of stake versus a proof of work.
 17 So there's a consensus model; there's the
 18 security of that blockchain; there is the permission, so
 19 if something's permissionless or permissioned; whether
 20 it's closed or open. There are a lot of variables.
 21 **Q And those variables can affect the success or**
 22 **failure of a project that's a product that's put on a**
 23 **blockchain?**
 24 A The variables can contribute to the
 25 effectiveness of the infrastructure.

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1 **Q** Thanks.

2 BY MR. LEASURE:

3 **Q** What is the user interface for a token

4 project?

5 A The interface for a token project is for a

6 user to have access to the token and be able to use it.

7 **Q** So would a wallet be a type of user interface?

8 A A wallet could be a user interface.

9 **Q** Okay. How do you build a wallet?

10 A A user can generate their own wallet.

11 **Q** Is that common in the crypto space?

12 A Yes.

13 **Q** Okay. Well, just to foreshadow ahead, have

14 users built their own wallets for the Kin token?

15 A Every user that has a Kin token has a wallet.

16 They generated a public and a private key.

17 **Q** Okay. And they make it themselves?

18 A Yes.

19 **Q** Does Kin help -- has Kik helped create wallets

20 for the Kin token?

21 A There are additional wallets on top of the --

22 so every user that has a Kin token would have generated

23 a wallet. They could have done that on their own or

24 through something like MetaMask, which is a user

25 interface, to generate a wallet.

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1 There are other products. Like the Jaxx

2 wallet is another one that can help users generate a

3 wallet for themselves.

4 Some users that have a Kin token also have a

5 wallet in Kik or Kinit or other applications that they

6 may be using.

7 **Q** Okay. Did Kik help with the development of

8 any of the wallets that you just outlined?

9 A Kik developed a wallet for itself. The Kik

10 Messenger, which users can use, did not contribute to,

11 for example, MetaMask or Jaxx wallet or some of the

12 others.

13 **Q** Got it. So if I -- to summarize that, and

14 correct me if I'm getting this wrong, ultimately Kik

15 developed a wallet for itself and that others could use

16 within the Kik messaging app?

17 A Correct.

18 **Q** Kik did not development wallets outside of the

19 Kik messaging app?

20 A Kik produced all of the code that it used

21 to -- all of the code that was used to produce the Kik

22 wallet is open source, so anyone could take that same

23 code and use that to generate their own wallet in an

24 application.

25 **Q** Okay. So we spent some time starting --

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1 MR. MENDEL: Can I ask a follow-up?

2 **Q** Going back to the first half of 2017, what

3 discussions were there internally about the timeframe

4 for the rollout of a cryptocurrency?

5 A Initially, discussions were in Q2 or Q3 of

6 2017.

7 **Q** So the discussions were to the effect that the

8 rollout should occur in Q2 or Q3 of 2017?

9 A Yes.

10 **Q** And when did those discussions about the

11 timing of the rollout occur?

12 A Those discussions, I believe, initially took

13 place towards the middle or end of Q1.

14 **Q** Did those discussions about the timeframe of

15 the rollout start during your January 2017 meeting with

16 Mr. Livingston?

17 A I don't recall if there was a discussion of

18 rollout time in the January 2017 meeting.

19 **Q** And do you recall who internally was proposing

20 the timeframe for the rollout?

21 A I do not recall.

22 **Q** What were the reasons given for the rollout in

23 Q2 or Q3 of 2017?

24 A The reason for rolling out in 2017 was there

25 was a continued disruption amongst a lot of

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1 applications, and seeing not just Kik, but other

2 applications were struggling with this, hearing there

3 was a lot of struggles that applications were having in

4 getting this to market for not just Kik, but other

5 businesses, to adopt this business model as quickly as

6 possible.

7 **Q** During Q1 of 2017, did anyone mention the

8 financial situation of Kik as a reason for the rollout

9 in 2017?

10 A I do not believe the financial state was one

11 of the key variables that was discussed.

12 **Q** Were there any other variables discussed that

13 you haven't mentioned?

14 A Not that I recall.

15 BY MR. LEASURE:

16 **Q** I'm sorry, you used a term I -- maybe we

17 should define. "Kinit"?

18 A Kinit. Sorry, that's an application that's

19 live in Google Play and the App Store today.

20 **Q** Got it. Can you spell it?

21 A K-I-N-I-T.

22 **Q** Okay. It's not related to the Kin?

23 A It is related to Kin.

24 **Q** Okay. Tell me about Kinit then.

25 A Kinit is an application that users can earn

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1 and spend Kin. The earn opportunities pull in both
2 advertisers and other content providers as well as on
3 the spend side.

4 I would define it as a marketplace. So there
5 are not just surveys, but also videos that users can
6 watch and earn Kin, and they can spend on gift cards and
7 some other content.

8 The -- I would define it as a marketplace,
9 because some of the earn and spend offers are from other
10 businesses that are contributing and have actually
11 contributed code to implement their earn and spend
12 offers into the marketplace.

13 **Q When was it built?**

14 A Kinit was built in Q2 of 2017.

15 MR. MITCHELL: 2017?

16 THE WITNESS: 2018, sorry. My mistake.

17 BY MR. LEASURE:

18 **Q So after Kin was sold?**

19 A Yes.

20 **Q Who built it?**

21 A Kik employees.

22 **Q Okay. And so Kik put a -- correct me if I'm**
23 **wrong. Kik has developed and put onto Google Play this**
24 **app?**

25 A Yes.

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1 **Q And it's -- I take it it's part of fostering**
2 **the ecosystem?**

3 A Yes. It is separate from Kik and has its own
4 Google Play and iOS account, essentially.

5 BY MR. MITCHELL:

6 **Q It's separate from the Kik app?**

7 A Yes.

8 **Q Is it separate from Kik Interactive?**

9 A It was built by Kik Interactive employees.

10 **Q And who put it on Google Play?**

11 A Those employees.

12 BY MR. LEASURE:

13 **Q So, again -- we're jumping forward and**
14 **backwards in time, I apologize.**

15 **Going back to early 2017, you laid out sort of**
16 **a high-level understanding of what the vision would be**
17 **for a token ecosystem in the future. Did that vision**
18 **change in any material way as the Kin project developed?**

19 A It did not change. It evolved, I would say,
20 in terms of the actual underpinnings of the
21 infrastructure. And when it was first introduced, it
22 was evaluating which blockchain, for example, would be
23 the right one. So that was an evolution understanding
24 that Ethereum would be the right infrastructure to
25 launch this on as well as the continued kind of

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1 development of the actual go-to-market strategy.

2 **Q And I think we'll turn to that over time. I**
3 **take it that, in particular, involved CoinFund? That**
4 **go-to-market strategy?**

5 A CoinFund was a contributor to some of the work
6 around go-to-market.

7 **Q Okay. Any other major -- I think you used the**
8 **words "evolution" or "evolutions" to the vision for the**
9 **project over time?**

10 A The vision remained the same of this
11 decentralized ecosystem.

12 **Q Okay.**

13 **I think we've covered this, but would you**
14 **agree that moving into the crypto space was at least a**
15 **significant shift in Kik's business model?**

16 A Yes.

17 **Q Okay. And would you say you were -- you had**
18 **expertise in the crypto space at the start of 2017?**

19 A Kik the company?

20 **Q You personally. Let's start with you.**

21 A Me personally?

22 **Q Yeah.**

23 A How would you define "expertise"?

24 **Q I don't know. How would -- would you say you**
25 **were comfortable, familiar with crypto products, the**

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1 **crypto market, in early 2017?**

2 A Yes.

3 **Q Okay. And how did you acquire that?**

4 A Through personal research and personal
5 knowledge.

6 **Q How about others at Kik? Was this a**
7 **transition for them in terms of their skill sets and**
8 **experience?**

9 A For some, yes. For some, they had an existing
10 understanding.

11 **Q Okay. Let's take some of the senior managers.**
12 **Ted Livingston?**

13 A Yes.

14 **Q You would say he had a prior understanding,**
15 **over the years, about crypto assets?**

16 A Yes.

17 **Q Okay. Your direct report, Peter Heinke?**

18 A Yep.

19 **Q Was he familiar with crypto assets?**

20 A He was not extremely familiar.

21 **Q Okay.**

22 A He had heard of them before and knew the basic
23 function.

24 **Q Okay. So is it safe to say that this is a**
25 **learning curve for some at Kik and not as much for**

Page 74

1 others?

2 A Yes.

3 Q Okay.

4 And how would you define -- again, we're just
5 talking about the vision -- the role of this existing
6 Kik messaging app in the Kin project?

7 A The role of the Kik messaging app would be to
8 introduce products that integrated Kin and had Kin as a
9 core functionality in value transfer -- but whether
10 that's user-to-platform or user-to-user -- as well as
11 brands and was an opportunity to demonstrate to other
12 developers what could be built in a community.

13 Q Got it. So the ultimate vision wasn't that
14 Kin, like Kik Points, would just sit on the Kik
15 messaging app; right?

16 A Correct.

17 Q But is it fair to say that as a robust
18 platform, the Kik messaging app could be a sort of
19 launching pad for the Kin token?

20 A Yeah. I would say a launchpad or a
21 lighthouse.

22 Q Yeah. Okay. And then hopefully, over time as
23 adoption continues, it's less and less a central part of
24 the Kin project?

25 A The idea is to launch Kin, have it integrated

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1 would be a potential use case in music.

2 Q Right.

3 Did you ever attend Kik's board meetings in
4 2017?

5 A No.

6 Q When was the first time you attended a Kik
7 board meeting?

8 A The first time I attended a Kik board meeting
9 was in, I believe it was, May of 2018, this part year.

10 Q Okay. Are those held in person?
11 Electronically?

12 A Predominantly electronically. There have been
13 in-person board meetings, usually once a year.

14 Q Did you help prepare materials in advance of
15 board meetings?

16 A There were a few board meetings where I
17 prepared a slide or two or I would help with formatting.

18 Q Okay. Did you help prepare board slides and
19 materials for Kik's board that related to the Kin
20 project?

21 A Yes.

22 Q What can you tell me about those particular
23 board materials or meetings you helped prepare for?

24 A The -- I -- the board meetings and the Kin
25 materials, I would work with Ted or Peter to help put

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1 in Kik, and also have it open for any developer to add
2 Kin from day one into their application.

3 BY MR. MITCHELL:

4 Q What do you mean "integrated"?

5 A Have Kin functioning in an application in a
6 product.

7 Q What does -- what do you mean "functioning in
8 an application"?

9 A A product that -- in an application where a
10 user could use Kin.

11 Q I'm sorry, I'm just working my way through.
12 What do you mean "use Kin"?

13 A Could earn, could spend, could transfer
14 between each other, where Kin had a product use case
15 within an app.

16 Q Thanks.

17 BY MR. LEASURE:

18 Q So for example, I run a music app. I could
19 buy music -- I could -- in theory, under this idea, the
20 app could be set up so I could buy or sell music using
21 Kin?

22 A Buy or sell, tip a user.

23 I mean, to use the music example, for example,
24 on SoundCloud today, people can leave a comment or a
25 like, but there's no actual value transfer. So that

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1 together slides on some of the work that they were doing
2 around Kin.

3 Q And were you doing -- in 2017, were you doing
4 just formatting, or were you helping to articulate
5 substantive ideas in these materials?

6 A I would work with them to take some of their
7 ideas and put it into slides.

8 Q Okay. And add substantive thoughts of your
9 own, or just what they had to say?

10 A Predominantly what they had to say. I would
11 do some background research that may supplement some of
12 that as well.

13 Q Okay.

14 Did you ever hear if anyone on Kik's board
15 objected to the plan to introduce a token project?

16 A I had heard that one board member had raised
17 some concerns. I wasn't aware if there was an objection
18 or not.

19 Q I'm not worried; I'm just asking. Do you know
20 what those concerns were?

21 A No.

22 Q How about anyone on -- not board members, but
23 any of Kik's management team? Did anyone raise
24 objection or dissent for the Kin project?

25 A Not that I'm aware of.

1 **Q Okay.**
2 **And we're going to walk through, as I said,**
3 **chronologically over time, the Kin project. At a high**
4 **level, what would you say you yourself did in connection**
5 **with Kin?**

6 A Chronologically?

7 **Q Sure, yeah. What were your major roles?**

8 A Yeah. My major roles would be working with
9 the management team to help define a project plan. I
10 worked alongside others on that, not just myself, but
11 aligning the different teams that were working on this
12 to a project plan for the rollout.

13 **Q Project plan?**

14 A Project plan.

15 **Q And what do you mean by that?**

16 A Identifying the different work streams, the
17 different inputs, who are the key stakeholders, and when
18 the deliverables are.

19 **Q Okay. So like a project management for the**
20 **various tasks?**

21 A Yes.

22 **Q What else did you do, if anything?**

23 A A -- during the drafting of the white paper, I
24 worked with Ted and other members of management to help
25 coordinate certain sections of the white paper and

1 committed some things to prose.

2 **Q Okay.**

3 A In a group setting.

4 **Q Right. How about after that, what did you do?**

5 A After that, worked with Peter and Ted on the
6 pre-sale process as well as coordination around the
7 public sale.

8 **Q Okay. And how about after the public sale was**
9 **completed, what has been your -- at a high level, what**
10 **has been your function over the past 11 months?**

11 A Yeah. So after the public sale, continued to
12 work cross-functionally with some of the different teams
13 and helping to coordinate efforts on both product as
14 well as some of the supporting services.

15 So for example, marketing, compliance,
16 finance, and coordinating across those two -- those
17 product and Engineering teams as well as supporting the
18 Shared Services teams.

19 **Q Okay. And you are still -- as of today, still**
20 **working on the Kin project?**

21 A Yes.

22 **Q What percentage of your time is, as of today,**
23 **on Kin versus other things going on at Kik?**

24 A I would say that I am about 70 percent Kin and
25 30 percent Kik the Messenger on some of the areas in Kik

1 that are not directly tied to the Kin integration.

2 **Q And if you had to, sitting here today, picture**
3 **all the employees at Kik, what percentage of their**
4 **efforts are devoted to the Kin project as opposed to the**
5 **Kik messaging app?**

6 A Right. So there's a team in Tel Aviv that is
7 about 50 people, and they are 100 percent dedicated to
8 Kin, not just within the Kik Messenger, but on working
9 with external partners, helping with integration,
10 education around Kin, and some of the tooling. So that
11 would be about 50 employees in Tel Aviv.

12 In New York, there are about 10 employees, and
13 I would say they are about 50 percent Kik and 50 percent
14 Kin.

15 And then within the Canadian employee base,
16 which is Toronto and Waterloo, there's about a hundred
17 people. I would say that about 50 to 60 percent are
18 working on Kin-specific products and the others are
19 building, like, baseline infrastructure, like server
20 architecture, for Kik the Messenger as well.

21 BY MR. SCHLEGELMILCH:

22 **Q You said about 70 percent of your time**
23 **currently is devoted to Kin; is that right?**

24 A Yes.

25 **Q And -- but you -- are you a Kik employee?**

1 A I'm an employee of Kik Interactive, yes.

2 **Q Okay. And does any portion of your**
3 **compensation come from the Kin Foundation or some other**
4 **sort of Kin-associated --**

5 A No.

6 **Q -- organization?**

7 A No.

8 BY MR. LEASURE:

9 **Q So again, Kin -- Kik is -- or a year and a**
10 **half ago, Kik's anticipating a potential token project?**

11 A Yes.

12 **Q How would you characterize the market for**
13 **token offerings like the one being contemplated by Kik**
14 **at that time?**

15 A Sorry, do you mind repeating the question?

16 **Q Yeah, sure. It wasn't that great.**

17 **Early 2017, Kik's contemplating a token**
18 **project. How would you characterize the market for such**
19 **token offerings in early 2017?**

20 A In early 2017, if I just look at it very
21 objectively as someone who has spent a lot of time
22 looking at cryptocurrency projects, there were a lot of
23 new innovative token mechanics being introduced.

24 It was the first time that we had seen, for
25 example, stablecoins and some other ancillary projects

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1 like decentralized exchanges.

2 And there was a large narrative being
3 developed around consumer application of
4 cryptocurrencies. We had seen -- prior to kind of 2017,
5 a lot of the argument was around Bitcoin as a store of
6 value or the World Computer of Ethereum that was
7 allowing people to build on top of this and build
8 applications.

9 That's, I think, one of the most important
10 things that Ethereum did for the ecosystem was provide
11 essentially the World Computer that people could build
12 on top of.

13 So at the beginning of 2017, you were starting
14 to see decentralized applications as well as some
15 dialogue around consumer-facing products being built.

16 **Q Okay. And the market for new coins, was it a**
17 **growing market?**

18 A Yes.

19 **Q Was it a hot market?**

20 A It was continuing to grow.

21 **Q Okay. Was there an increased -- would you**
22 **agree that there was increased demand for new coins in**
23 **2017?**

24 A I was seeing a lot of increased tokens coming
25 to market with a white paper or proposition, and you

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1 A Based on the amount of new tokens that were
2 being raised, you would infer there was money coming
3 into the space.

4 **Q And was it coming from different sources than**
5 **products, say, two to three years prior?**

6 A Different in what sense?

7 **Q Was the purchasing base for a new token**
8 **expanded or coming from different places?**

9 A To my knowledge, it was continuing to evolve.

10 **Q Okay.**

11 BY MR. MITCHELL:

12 **Q Evolve how?**

13 A There were other institutions that had not
14 previously been participating in token sales that were
15 starting to come into the space, and you were starting
16 to see more dialogue from the consumer base of adopting
17 tokens and participating in token-based economies.

18 **Q What kind of institutions?**

19 A What kind of institutions? I believe in 2017,
20 you were starting to see some more venture capitalists
21 talk about the space as well as some of the larger banks
22 were starting to set up at least research desks, like
23 Bloomberg and Goldman and JP Morgan. I believe Jamie
24 Dimon made some brash comments, but then subsequently
25 set up a research desk.

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1 were starting to see more interest from the general
2 community about things that were outside of the
3 traditional Bitcoin or Ethereum.

4 **Q Right. There were a lot of new projects**
5 **talking about new potential consumer applications?**

6 A Correct.

7 **Q Okay. And there was an increased interest in**
8 **buying new tokens that hadn't been there before?**

9 A Yes.

10 **Q Okay. What was driving that increased**
11 **interest, to your mind?**

12 A From my perspective?

13 **Q Yeah, yeah.**

14 A The increased interest in the token project
15 was that there were fundamental challenges that people
16 were facing in centralized applications, not just
17 consumer applications, but even financial systems.

18 A lot of the big projects in the past couple
19 of years are even around decentralizing, the ability for
20 people to transmit money across borders.

21 And there was an increasing dialogue around
22 the risk in centralization, and I think that was a large
23 driver in some of the appetite for new inventive
24 business models.

25 **Q Was new money coming into this space?**

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1 Morgan Stanley, I know, started producing
2 reports at the end of 2016. McKinsey and BCG, Bain
3 Digital Ventures, BCG Digital Ventures.

4 **Q Okay.**

5 BY MR. LEASURE:

6 **Q So it sounds like there were certainly --**
7 **given the new ventures coming into the space, there were**
8 **at least some people coming into the space looking to**
9 **make money. Would you agree with that?**

10 A I can't infer exactly what all the motivations
11 of the people coming into the space were for
12 participating in some of these token economies.

13 **Q Sure. But I think -- was Bain one of them?**

14 A Bain Digital Ventures.

15 **Q I take it they're -- Bain Digital Ventures is**
16 **looking more on the**
17 **is-this-a-profitable-area-for-us-to-go-into versus the**
18 **use side of the equation?**

19 A So Bain incubates other projects, so they'll
20 participate in some of these token projects but also
21 incubate startups. So I can't infer directly how
22 they're attacking their business model.

23 But a lot of the interest you could see was
24 from venture capitalists or some of these digital
25 venture arms that also incubate projects that are

1 building around this and sustainable businesses.
 2 **Q Okay. So you're not comfortable saying**
 3 **whether there were at least some people participating in**
 4 **the space in 2017 who were looking to profit?**

5 A I'm sure some people are looking at this for a
 6 variety of different reasons. I can't infer
 7 specifically as to the motivations of all of them.

8 **Q No, of course not. You -- so you, sitting --**
 9 **you don't know why people generally were participating**
 10 **in the crypto space and the ICO space in 2017?**

11 A Some people were participating to make money.

12 **Q Okay. And some were participating for other**
 13 **reasons?**

14 A Yes.

15 **Q Okay.**
 16 **There's a term we see in the documents,**
 17 **including some I might walk you through, "crypto**
 18 **enthusiasts." Are you -- have you ever heard that term?**

19 A I've heard that term. I don't use the term.

20 **Q You don't use that term? Is there a term you**
 21 **use for people who are -- I don't know if it's the**
 22 **equivalent of a crypto enthusiast, but someone looking**
 23 **to participate in and own coins?**

24 A I don't have a kind of a catch-all term, but I
 25 do know there is a cohort of people that are excited

1 about the innovation that's happening in cryptocurrency
 2 and blockchain and are participating in a lot of
 3 different conversations around that, whether you see
 4 that on subreddits or even at conferences.

5 You look at Consensus is a good conference, or
 6 Token Summit or Money20/20, where there's a lot of
 7 dialogue and people are generally excited about it.

8 I think the most common analog that people
 9 talk about is this is kind of the next era of the web,
 10 where, if you look at early stages of the internet and
 11 web applications, people were very excited about that
 12 without knowing exactly what the applications are that
 13 are going to be built, but are just generally excited
 14 about the type of innovation that might happen there.

15 **Q Cool. And so just like early innovations on**
 16 **the web might have at some enthusiastic early adopters**
 17 **and the like --**

18 A Correct.

19 **Q -- there were also enthusiastic early adopters**
 20 **or early or midterm adopters in the crypto space in**
 21 **2017. Is that fair?**

22 A Yeah. I would kind of look at it like people
 23 that went out and bought the first iPhone without really
 24 knowing exactly what all the applications are that are
 25 going to be built on it, and a lot of them still use the

1 iPhone just like they used their flip-phone, just for
 2 making calls and sending texts, but lined up because
 3 they knew that -- or thought something inventive and
 4 innovative was going to be built on this new kind of
 5 paradigm shift in technology.

6 **Q And so amongst this cohort -- I don't want to**
 7 **use crypto enthusiasts, because you don't -- it sounds**
 8 **like you don't use it, it but amongst this cohort we've**
 9 **been describing, are you able to breakdown or to know**
 10 **whether those people are motivated by a desire to, you**
 11 **know, sell coins in the future to profit versus to use**
 12 **the coins?**

13 A I can't make an assumption based on what their
 14 intention is.

15 **Q You don't know either way?**

16 A No.

17 **Q Okay.**

18 **So Kik's considering entering this space in**
 19 **early 2017; right?**

20 A Yeah.

21 **Q How did -- and I take it it would be important**
 22 **for Kik to know whether people would want to buy and use**
 23 **a Kik token; right?**

24 A Kin token.

25 **Q Yes. A token issued by Kik. Is that right?**

1 A Yes.

2 **Q Okay. How did Kik go about determining**
 3 **whether there would be interest or demand for a token**
 4 **issued by Kik?**

5 A There were a couple of tracks. One would be
 6 working with CoinFund on some market analysis, which
 7 they produced a research report on.

8 And the other component of that, too, is
 9 there's a network that Kik and other application
 10 developers have. Like, we've seen other applications
 11 and have met with people at some of these companies and
 12 understand that there's an appetite for a new disruptive
 13 decentralized business model.

14 **Q Okay. And we'll -- I want to turn to**
 15 **CoinFund, but that network, is that other companies like**
 16 **Kik or other people in the tech space? What's that?**

17 A Yeah, just other people in the tech space.

18 **Q Okay. So talking with your peers,**
 19 **competitors, and it was -- the sense was that there was**
 20 **a lot of enthusiasm for a project like the one Kik was**
 21 **contemplating?**

22 A Yes.

23 **Q And did you get a sense of why there -- again,**
 24 **we're just talking about what you're hearing from your**
 25 **peers and others in this space -- why there would be**

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1 enthusiasm for a token?

2 A Yeah. There was -- from my understanding,
3 there was enthusiasm because people were struggling with
4 the same thing that Kik and other messengers, for
5 example, that I mentioned before, like Tango and Viber,
6 were struggling with, and there was increasing appetite
7 for a new disruptive business model that could
8 potentially upset the consolidation in the monopolies.

9 BY MR. SCHLEGELMILCH:

10 Q During this time period, are you aware of
11 communications between Kik and Tango and Viber, or any
12 other messaging app, about a cryptocurrency that could
13 help them as well?

14 A No, not specifically about a cryptocurrency.
15 I had heard that there were conversations with those
16 companies about some type of a model where we could
17 actually all work together.

18 Q Okay. And what do you recall about those
19 communications?

20 A I recall that there was some discussions with
21 the executive team that they were facing some struggles,
22 similar to Kik, and that there needed to be an
23 alternative model.

24 Q Do you know who -- from Kik, do you know who
25 led those communications?

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1 A The communications with Tango I believe were
2 driven by Ted and Dany Fishel, who's also an executive
3 at the company.

4 Q Okay. And are you --

5 A Dany had a connection with the guys at Tango.

6 Q Okay. And what about Viber or any other
7 messaging app?

8 A The Viber happened through the -- the
9 conversations there happened through the Credit Suisse
10 process originally, and looked at what a potential
11 alternative business model to an acquisition could
12 potentially look like, but an alignment between
13 difference messengers.

14 Q Okay. Thank you.

15 BY MR. MITCHELL:

16 Q Did these other companies tell Kik that they
17 wanted to buy tokens when Kik sold them?

18 A I'm not aware.

19 Q You're not aware of them saying that?

20 A No.

21 BY MR. LEASURE:

22 Q Who is CoinFund?

23 A CoinFund is an advisory firm on cryptocurrency
24 and blockchain that was referred by Union Square
25 Ventures.

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1 Q And do you know how Union Square got connected
2 with them?

3 A I'm not sure.

4 Q Okay.

5 Kik hired them?

6 A Yes.

7 Q Why did Kik hire them?

8 A Kik hired them to do market research and
9 qualification on launching a crypto project.

10 Q I've seen "qualification" in the documents as
11 well. What does that mean in this context?

12 A Qualify if there is a potential to launch the
13 currency, both from infrastructure and market adoption.

14 Q What was the last part?

15 A Market adoption.

16 Q Okay. So both the infrastructure to build it
17 and the demand for the product that would come out of
18 it?

19 A Yes.

20 Q Got it.

21 BY MR. MITCHELL:

22 Q Is the infrastructure things like the
23 blockchain that we discussed earlier?

24 A Yes.

25 Q And what's the demand?

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1 A The demand?

2 Q Sorry, the demand for the product, what
3 product are we talking about?

4 A A cryptocurrency that would underpin a
5 decentralized ecosystem of digital apps.

6 Q Okay. That's the digital asset that Kik was
7 considering selling?

8 A The cryptocurrency, Kin.

9 BY MR. LEASURE:

10 Q And they did that work? I'm sorry, CoinFund
11 did that work for Kik?

12 A Yes.

13 Q What did you think about them?

14 A I think they're smart guys.

15 Q Do you think their work was good?

16 A I thought their work, given the -- the brief
17 that they delivered was good. I didn't think it was
18 representative of all the data points that were required
19 for a market qualification.

20 Q So did Kik hire other people to do market
21 qualifications on top of CoinFund?

22 A Kik subsequently also hired CoinTree --

23 Q Okay.

24 A -- which is another firm, to work on some of
25 the market qualification. They were more technical in

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1 nature.

2 **Q Okay. As opposed to the demand and interest**
3 **side of the equation?**

4 A Correct.

5 **Q Okay. Did you -- I have to ask, did you ever**
6 **have reason to doubt the competence or qualifications of**
7 **the people at CoinFund?**

8 A No.

9 **Q They knew this space?**

10 A Yes.

11 **Q Okay.**

12 **Leaving aside legal definitions, was their**
13 **role as advisors to Kik in connection with a**
14 **contemplated coin offering analogous in any way to**
15 **acting like an investment banker advising?**

16 A I would not make that analogy.

17 **Q Okay. And why not?**

18 A The majority of their work was driven around
19 market research as well as the actual implementation of
20 a cryptocurrency.

21 **Q And on the market research side, was their**
22 **role somehow different than what, let's say, Credit**
23 **Suisse had done for Kik in prior months?**

24 A I would say that it was different, because
25 Credit Suisse was largely identifying potential buyers,

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1 mainstream consumer applications.

2 So they provided context on the areas of the
3 market that were less familiar to the Kik team that
4 spends a lot of time in consumer applications.

5 **Q So they're giving -- so correct me if I'm**
6 **wrong. Because of the focus of their research, they're**
7 **telling you about a market space that people at Kik may**
8 **have been less familiar with at the time?**

9 A Yes.

10 BY MR. MITCHELL:

11 **Q Was there some part of the market for Kin that**
12 **people at Kik were really familiar with?**

13 A Consumer applications that would integrate Kin
14 and use Kin.

15 **Q So that's -- consumer applications are the**
16 **other -- are the companies that we've talked about**
17 **earlier --**

18 A Yeah.

19 **Q -- that are sort of -- that are competing with**
20 **Kin at -- Kik at the time, but might cooperate and use**
21 **the Kin token in the future?**

22 A Yep.

23 **Q Anything else? Any other areas that Kik folks**
24 **were experts on in terms of the market for Kin?**

25 A I would say consume -- yeah, the consumer

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1 putting together pitch decks, attending meetings,
2 driving those meetings. So it was very different.

3 **Q Got it. So CoinFund didn't do marketing and**
4 **pitching?**

5 A Correct.

6 **Q They did analysis of what a market could look**
7 **like?**

8 A Yes.

9 **Q Okay. So I take it the answer was good, that**
10 **the market looked promising for Kik if it were to do a**
11 **token offering?**

12 A They were able to, yeah, show that there was
13 some qualification in the market and there would be
14 demand.

15 **Q And what was the core -- at a high level, what**
16 **was the core of that demand that CoinFund identified for**
17 **a token?**

18 A So CoinFund, like I said before, represented a
19 -- one data point of the broader qualification. They
20 were looking at -- and their sample size in market
21 research was relatively narrow in scope as they were
22 looking at people that had spent a lot of time in
23 cryptocurrency, and blockchain was not necessarily
24 indicative of the entire potential market for Kin, given
25 that, I would say, Kin was one of the first to market on

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1 application space, which is relatively broad.

2 **Q Again, that's the companies that would --**

3 A Companies and users as well, users of these
4 applications. So the developer ecosystem, or developed
5 cohorts of other developers, as well as users of
6 consumer applications.

7 **Q And so Kik had expertise in what -- which of**
8 **those users would want to buy the --**

9 A Who would interact with products where there
10 would be an integration of Kin. So a value transfer.

11 **Q Okay. Is that -- sorry, is that different**
12 **than sort of the actual -- the -- what eventually got**
13 **called the token distribution event? The market for**
14 **actually just selling the tokens?**

15 A No. I wouldn't say it was different.

16 **Q Okay. So did -- what -- did Kik have**
17 **expertise in what users of consumer, I don't know,**
18 **apps -- what kind of users of consumer apps would want**
19 **to buy a token from Kin? From -- sorry, would want to**
20 **buy the Kin token?**

21 A So the Kin token was developed and marketed as
22 a token to be used across consumer applications, and
23 that is the basis of all of the communications and
24 marketing material around Kin for these types of user
25 experiences that would be used by developers to

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1 integrate into their products for consumers of those
2 consumer applications.

3 That is an area that Kik has significant areas
4 of expertise in understanding the market for developers
5 and users of the apps that they develop.

6 And the -- you referenced the Kin token
7 distribution event. That was an open and public sale.
8 All of the marketing material related to the token
9 distribution event was centered around consumer
10 applications that are using Kin and the business model
11 that Kin provides for developers of consumer
12 applications.

13 **Q So at the time of the token distribution**
14 **event, what consumer applications were using Kin?**

15 A At the time of the token distribution event,
16 it was integrated into Kik.

17 **Q Any others?**

18 A No.

19 **Q Line?**

20 A No.

21 **Q Anybody else?**

22 A No.

23 **Q Okay.**

24 **I think earlier you said that CoinFund had**
25 **some expertise and did some market research about some**

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1 **developers in the market for?**

2 A They were looking for a monetization tool for
3 the bots that they developed.

4 **Q So they were looking -- they were -- they**
5 **found the idea of the Kin ecosystem attractive?**

6 A Yes.

7 **Q Did they want to buy Kin tokens in the token**
8 **distribution event?**

9 A To my understanding, yes. And one of the
10 purchasers in the token distribution event, for example,
11 was Betaworks, who has a lot of bot developers within
12 their portfolio, and they purchased Kin in the token
13 distribution event with the intent that they suggested
14 that they would then be able to seed that Kin that they
15 purchased in the token distribution event to developers
16 within their portfolio to actually integrate into the
17 products they're building.

18 **Q And Betaworks -- sorry, did you personally**
19 **talk to people about [sic] Betaworks about that?**

20 A I have talked to people at Betaworks.

21 **Q Where'd you do that?**

22 A Via phone.

23 **Q Where would that be?**

24 A In New York.

25 **Q Do you know if they were in Manhattan or in**

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1 **set of people about what their interest would be in**
2 **buying Kin tokens. Did I understand that right?**

3 A Yes.

4 **Q Did Kik do -- other than the CoinFund work,**
5 **did Kik do any other analysis about who would want to**
6 **buy Kin tokens?**

7 A There -- Kik had, from my understanding, had
8 conversations with other developers. There was an
9 appetite from even bot developers. There was some
10 communication prior to the token distribution event at a
11 conference called Botness, for example.

12 Kik has a robust bot platform where developers
13 essentially -- they are developers that build on top of
14 the Kik platform. There was, from my understanding,
15 significant interest from some of these bot developers
16 as well as content providers.

17 And in addition to that, there was a research
18 study done on what a wallet could look like within the
19 Kik Messenger completed by, I believe, Sylvain Labs, who
20 has done market research in the past, and some of the
21 research there was from actual users of Kik and other
22 consumer applications as to what a good consumer-facing
23 wallet may look like.

24 **Q Let me take the bot group first. What was**
25 **the -- what's your understanding -- what were the bot**

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1 **Brooklyn?**

2 A I don't.

3 **Q And when -- you said Betaworks bought Kin**
4 **tokens in the original -- in the 2017 sale?**

5 A Yes.

6 **Q Did they do that using a SAFT?**

7 A Yes.

8 **Q All right. Thanks.**

9 BY MR. LEASURE:

10 **Q Going back the CoinFund, let me show you a**
11 **document about -- I think about them.**

12 A Okay.

13 **Q A previous -- a copy of this has been**
14 **previously marked as Exhibit 52. As always, take a**
15 **look. Take your time. Let me know when you're ready.**

16 **While you're doing that, I'll identify it for**
17 **the record. Exhibit 52 is a multiple-page document**
18 **beginning with Bates stamp CoinFund 6183. It has a**
19 **title CoinFund Proposal for Research Prepared for Kik**
20 **Interactive, Inc.**

21 **Do you recognize this document?**

22 A I do.

23 **Q What is it?**

24 A This was a proposal that CoinFund put together
25 and sent to Kik management about their proposed

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1 involvement in a -- the Kin project.

2 **Q Got it. This is at the start of CoinFund**
3 **maybe coming onboard for Kik?**

4 A Correct.

5 **Q It's dated 2/10/2016. I take it it's your**
6 **understanding that's a typo?**

7 A It is a typo.

8 **Q Thank you. It happens to me the first three**
9 **months of every year.**

10 **Can I point you to the third page of this?**
11 **That's the one with the Bates stamp ending 6185.**

12 A Yep.

13 **Q You see that? Is this -- this is a -- correct**
14 **me if I'm wrong, this is a timeline for a potential**
15 **engagement by CoinFund?**

16 A Correct.

17 **Q Okay. I want to just walk through a few**
18 **things here just to see what actually happened in**
19 **reality.**

20 **Item 1: Kik working session. With asterises**
21 **[sic] "requires direct participation of the Kik team."**

22 **To me, this looks like an on-site. What -- is**
23 **that accurate? Was there an on-site?**

24 A To the best of my knowledge, there was not an
25 on-site. We have a small office in New York.

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1 **Q Right.**

2 A I believe a couple times they may have stopped
3 by the office, given that their office is close, but
4 there was not a direct on-site.

5 **Q Okay. Did they -- I guess off site, did they**
6 **work with Kik to develop, you know, an understanding of**
7 **Kik's goals, financials, and product features?**

8 A I know they worked on goals. I'm not -- I do
9 not believe they worked on financials.

10 And then this initial stage, Product
11 Features --

12 **Q Okay.**

13 A -- this was largely driven by Erin Clift and
14 Hayeon in New York for this first stage.

15 **Q That's Hayeon Kim?**

16 A Yes.

17 **Q Can you spell Hayeon Kim's name?**

18 A H-A-Y-E-O-N.

19 **Q Thank you. Last name?**

20 A Kim, K-I-M.

21 **Q Got it. Thank you.**

22 **Okay. You didn't participate in that?**

23 A No.

24 **Q Just curious, there's a New York office? How**
25 **often do you work out of that office, if at all?**

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1 A Infrequently. I would say a few days every
2 quarter.

3 **Q Okay. If a particular project or meeting**
4 **requires you in New York?**

5 A Yes.

6 **Q You're primarily working out of Canada?**

7 A Correct.

8 **Q Do you go to the Israeli office at any time?**

9 A Yes.

10 **Q Okay. Again, on a quarterly basis or --**

11 A On a quarterly basis.

12 **Q Got it.**

13 **Item 2: Model Discovery to Propose Several**
14 **Viable Crypto Economic Models.**

15 **Did they do that?**

16 A I believe they delivered some of the models in
17 a subsequent document.

18 **Q Okay. And we might walk through that very**
19 **document. At a high level, what models did they explore**
20 **with Kik?**

21 A The structure of the allocation of tokens. So
22 what size is the float, what was sold, and who are the
23 different stakeholders.

24 **Q Okay. Did they give Kik a sense, at any**
25 **point, of how large a token offering Kik could**

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1 **contemplate?**

2 A They did some research on the potential size
3 of a token offering.

4 **Q And what numbers were they coming back with?**

5 A They were coming back with numbers, I believe,
6 in the tens of millions.

7 **Q Okay. And so on the size of the token**
8 **offering, it ultimately was a \$100 million, roughly; is**
9 **that correct?**

10 A Correct.

11 **Q Okay. Now, how did that compare with**
12 **expectations at this time, February of 2017?**

13 A At this time, the size of the potential token
14 offering that was suggested in their research was
15 smaller than what ended up being the size of the sale in
16 September.

17 **Q Yeah. And we can walk through that. I see,**
18 **like, them talking about 10 to 20 million range.**
19 **Something like that?**

20 A Mm-hm.

21 **Q Is that right?**

22 A Correct.

23 **Q Sorry. How did it come about that -- I take**
24 **it the size of the token offering, it was determined,**
25 **could increase up to \$100 million?**

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1 A There was significantly more interest for a
2 project like Kin, and there were more people
3 participating in token sales as the year progressed.

4 **Q So the market -- would you agree that market
5 demand for projects like Kin increased in 2017?**

6 A Yes.

7 **Q Okay.**

8 **Preliminary -- the next item here on the page
9 is Preliminary Validation. Purpose: To understand the
10 market fit between Kik and crypto investors.**

11 **Let me pause there. Did CoinFund do that work
12 for Kik?**

13 A Yes.

14 **Q Okay. And is that the research deliverable?
15 I think I might show it to you --**

16 A Yes.

17 **Q -- but a research deliverable, multiple-page
18 document --**

19 A Yes.

20 **Q -- they provided? Okay. And they did both
21 research -- and this has a deliverable of survey
22 results. They did a survey?**

23 A Correct.

24 **Q Okay. Did Kik use that analysis in deciding
25 whether to do a token offering?**

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1 A CoinFund identified areas of compliance that
2 we should be cognizant of, and then we worked with
3 attorneys on the actual analysis.

4 **Q What areas did CoinFund identify?**

5 A CoinFund identified areas related to tax,
6 securities law, banking legislature [sic], and I believe
7 those are the three main areas.

8 **Q Did CoinFund identify concerns over whether a
9 token could be a security as one of the compliance
10 areas?**

11 A Yes.

12 **Q Okay.**

13 **Why don't we go off the record.**

14 THE VIDEOGRAPHER: This marks the end of disk
15 number one. The time on the monitor is 11:49 and 14
16 seconds.

17 (A recess was taken from 11:49 a.m. to 12:00
18 p.m.)

19 THE VIDEOGRAPHER: This begins disk number
20 two. We are back on the record. The time on the
21 monitor is 12:00 o'clock and 47 seconds.

22 BY MR. LEASURE:

23 **Q Back on the record after a brief break.**

24 **During that break, Mr. Philp, did you have any
25 substantive conversations about this investigation with**

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1 A It was a variable. I wouldn't say it was the
2 dominant variable in assessing that. I believe the
3 survey was relatively narrow in scope in terms of the
4 participants of the survey, in terms of, like, the
5 actual makeup of the people involved in the survey, and
6 it wasn't necessarily indicative of the entire market
7 for a Kin project.

8 **Q So was this a waste of time then to pay
9 CoinFund for this?**

10 A I wouldn't say it was a waste of time.

11 **Q Okay. It was -- Kik got something out of the
12 research?**

13 A Yes.

14 **Q Okay.**

15 **Just eyeballing this just so we understand the
16 remainder of what CoinFund did, Item 5: First Draft
17 White Paper.**

18 **Did CoinFund help draft the white paper?**

19 A Yes.

20 **Q Okay. Compliance Review, Item 7: To identify
21 compliance requirements, ensure viability, and review
22 with Kik's legal advisors.**

23 **Again, I'm cautioning you about don't say an
24 attorney advised us XYZ. Did CoinFund do that over
25 time?**

Page 109

1 **SEC staff?**

2 A No.

3 **Q Okay.**

4 **I'm going to show you a document I suspect you
5 might have already referred to. I'm showing you a copy
6 of a document previously marked as Exhibit 39. It's a
7 big one.**

8 **Take a look and tell me when you're ready.**

9 **I'm going to identify it for the record, ask you what it
10 is, and then point you to specific parts of it.**

11 A Okay.

12 **Q Exhibit 39 is a document with the Bates stamp
13 CoinFund 7691. It has the title Token Integration
14 Research and Proposed Economics Prepared for Kik
15 Interactive, Inc., with the date March 21st, 2017.**

16 **You ready?**

17 A I'm ready.

18 **Q All right. What is this?**

19 A This is a research deliverable from CoinFund
20 prepared for Kik management.

21 **Q Got it. And did you review this document when
22 it came to Kik?**

23 A I did.

24 **Q Okay. Was it -- and I think we see this in
25 e-mails, but there was discussion around this document**

Page 110

1 at Kik afterwards?

2 A Correct.

3 Q And this -- we can -- in some ways, this

4 helped Kik think about whether to proceed with the token

5 offering?

6 A Correct.

7 Q All right.

8 Let me point you to a few spots in here. It's

9 a big document. Just looking at the table of contents,

10 which is on pages 2 and 3 --

11 A Yep.

12 Q -- it looks like they did a couple of

13 different tasks for Kik, just looking at the table of

14 contents. Is that right?

15 A Correct.

16 Q Like a survey of the market -- I'm sorry, an

17 overview of the market, it looks like a survey, and a

18 panel. Do you see that?

19 A Yep.

20 Q And then some economics analysis?

21 A Yep.

22 Q And, in fact, you can even see, it looks like

23 they -- we maybe referenced this previously. Is it

24 right that CoinFund modeled, you know, whether to raise

25 estimates? How much in this present market could Kik

Page 111

1 expect to raise?

2 A They quantified the size -- the potential size

3 of the token sale, yes.

4 Q Okay. Fair enough.

5 Let me point you then to a few spots.

6 MR. MITCHELL: Hold on one second.

7 Q Did they -- was that qualifying the full sale?

8 A Yes.

9 Q They weren't just focused on some little --

10 some segment of the sale; is that right?

11 A They were looking at the full sale.

12 Q Okay.

13 BY MR. LEASURE:

14 Q Yeah. I should ask, at this time -- the

15 ultimate structure of the Kin token event was a private

16 sale via SAFT agreement followed by a public sale;

17 correct?

18 A Correct.

19 Q Was that contemplated at this time?

20 A I don't recall if it was in this document

21 contemplated as the two sales.

22 Q Was that something that was in -- generally in

23 your head at this time as a potential structure?

24 A There was discussion about the potential of a

25 SAFT model, I believe, that was emerging at this time.

Page 112

1 Q Okay. Around this time?

2 A Yes.

3 Q Got it.

4 BY MR. MITCHELL:

5 Q Was Kik committed to the -- using the SAFT

6 contract at this time?

7 A No.

8 Q Had Kik committed to how much it would offer

9 to -- sort of in the -- how much it would offer in

10 different stages?

11 A No.

12 BY MR. LEASURE:

13 Q Let me point you, again, to a few pages in

14 here. Page 7 that has Bates stamp 7697?

15 A Yep.

16 Q There's a section called Notable Token Sales?

17 Pointing you to the bottom of that page, CoinFund wrote:

18 The following outlines some observation about the token

19 sale space.

20 One, the investment space is extremely hot.

21 All the tokens mentioned here generated returns at the

22 time of writing, as measured on a USD basis.

23 Let me pause there. Did you agree with their

24 view of the token space at this time?

25 A They had -- took a view of the token space

Page 113

1 looking at it from the appreciation of price of tokens.

2 There's data here, so I agree with their assertion that

3 the tokens were generating returns on a USD basis.

4 I don't think this is the only way to look at

5 the evolution of a token economy.

6 Q As an investment space that is hot?

7 A As people that are looking at tokens as

8 investment, that was a dialogue that was generally

9 prominent at the time.

10 MR. MITCHELL: What was prominent? Sorry.

11 THE WITNESS: There was a lot of dialogue

12 about the crypto space generating returns for people

13 that were buying tokens.

14 BY MR. LEASURE:

15 Q Okay. And that's the context in which

16 CoinFund, you believe, is writing --

17 A Yes.

18 Q -- that this space is hot?

19 A Yes.

20 Q Okay. And did you have a view on that either

21 way?

22 A I objectively was looking at cryptocurrencies

23 and what the dialogue was, both in the market as well as

24 cryptocurrencies appreciating in value, but that was not

25 the key variable that Kik was assessing cryptocurrencies

Page 114

1 on.

2 **Q You personally, were you purchasing coins at**

3 **this time?**

4 A At this time? No.

5 **Q Later on?**

6 A I -- later on this year, I purchased Ethereum.

7 **Q In 2017?**

8 A Yes.

9 **Q Okay. And those are the only -- did you --**

10 **have you ever bought Kin?**

11 A Yes.

12 **Q Cool. Are those the only coins you've ever**

13 **owned?**

14 A And Stellar Lumens.

15 **Q I'm not sure I know what that is. That's**

16 **another type of --**

17 A Cryptocurrency, yeah.

18 **Q Okay.**

19 BY MR. MITCHELL:

20 **Q How many Ethereum did you buy?**

21 A I have purchased a total of 30 Ethereum.

22 **Q And how many do you hold now?**

23 A Thirty.

24 **Q Why'd you buy them?**

25 A I was generally interested in Ethereum. It

Page 116

1 **yourself interested?**

2 A I was following Ethereum quite closely,

3 purchased some Ethereum, continue to follow the project

4 to this day.

5 **Q Right. But the reason you bought Ethereum is**

6 **because it would help you focus and follow news about**

7 **Ethereum?**

8 A It's one of the drivers there. One of the

9 things Naval talked about is having skin in the game

10 when you're following this. He -- I believe he talked

11 about it like it was like -- he equated it to, like,

12 tuition, essentially.

13 **Q Tuition like --**

14 A To learn about it.

15 **Q Sorry, and so that's the reason you bought**

16 **Ether?**

17 A That is the reason I bought Ether.

18 **Q As tuition so you could learn about Ether?**

19 A Not in order to learn about Ether. I don't

20 need to buy Ether to learn about Ether.

21 I was very interested in Ether, supportive of

22 the project. It was started by people that went to

23 school right down the road from me.

24 **Q Oh, so you bought it from them to help support**

25 **the product?**

Page 115

1 was started by a University of Waterloo grad right down

2 the street from where I go to school and everything, so

3 generally a fan of Ethereum.

4 **Q Sorry, how much did 30 Ether cost?**

5 A I don't recall what I -- what price I paid for

6 them at the time.

7 **Q So you bought it just because you're a fan?**

8 A Not a -- not just because I'm a fan. I

9 purchased Ether because it is a prominent project out of

10 Canada and I think that Ethereum is going to be a very

11 emergent platform over time and was very interested in

12 the project and bought some as I continued to follow

13 development in the area.

14 **Q Why buy the Ether?**

15 A Why buy the Ether? Largely what drove that

16 actually was -- so Naval Ravikant, who's someone I

17 listen to a lot of his podcasts, read a lot of his

18 blogs, talked about early on when he got interested in

19 Bitcoin, he bought some Bitcoin so that he had a -- more

20 of a reason to actually pay attention to the space.

21 And for me, I was interested in what Ethereum

22 was doing and reading a lot about it and ultimately

23 decided to purchase Ethereum because it was a good way

24 to keep me engaged in the economy and in the ecosystem.

25 **Q So you bought it to -- sort of to keep**

Page 117

1 A I bought -- did not buy it from them. I

2 bought it on Coinbase, and I was very supportive of

3 Ethereum and still supportive of Ethereum today and

4 continue to follow the project.

5 **Q Okay. And how did your buying Ether support**

6 **Ethereum?**

7 A I own Ethereum, and therefore my direct

8 contribution to purchasing 30 Ether, I don't know if it

9 really significantly advanced the development of

10 Ethereum's roadmap.

11 I purchased Ether because I am very

12 enthusiastic about what they're building. I don't know

13 what everything will be built on Ethereum down the road,

14 but I purchased Ether.

15 **Q You bought it in a Coinbase account?**

16 A Coinbase.

17 **Q How'd you fund the Coinbase account?**

18 A With my credit card.

19 **Q You -- credit card -- put U.S. dollars into**

20 **the Coinbase account?**

21 A Canadian dollars.

22 **Q Canadian dollars. And how'd you pay the**

23 **credit card bill? Did you pay the credit card bill?**

24 A Yes, I paid my credit card bill.

25 **Q And how'd you pay that?**

Page 118

1 A From my bank account.
2 **Q Okay. And did you just do that out of cash?**
3 A Yes.
4 **Q Okay.**
5 **And do you hold it in your Coinbase account**
6 **still?**
7 A No.
8 **Q What'd you do with it?**
9 A It's in a hardware wallet.
10 **Q Do you know the private key for the hardware**
11 **wallet?**
12 A Yes.
13 **Q Why?**
14 A Because I need to secure that asset and be
15 able to move it if I need to.
16 **Q So it's an asset?**
17 A I classify Ethereum as an asset because it is
18 a currency, and I come from an accounting background, so
19 currencies naturally, to me, sit on the asset portion of
20 a balance sheet. So I refer to cryptocurrencies as an
21 asset. It may be helpful to clarify that now, because I
22 might say that in the future.
23 **Q Sure.**
24 A But just so we're aware: I classify
25 cryptocurrencies, myself, just coming from an accounting

Page 119

1 background.
2 **Q So Ether's on your balance sheet?**
3 A My personal balance sheet.
4 **Q Personal balance sheet?**
5 A Sure.
6 **Q Okay. And why do you -- why would you need to**
7 **transfer the asset?**
8 A Because there are a lot of interesting
9 decentralized applications being built on Ethereum
10 today, some really exciting ones.
11 CryptoKitties would be an example. I almost
12 bought a CryptoKitty. I did not end up buying a
13 CryptoKitty, but there are different applications that
14 are being built on Ethereum that use Ether, and to me, I
15 bought it early on because I was very excited about
16 things that could be built on Ethereum that I may want
17 to engage in in the future.
18 That's why I still maintain my private key
19 such that if I did want to buy a CryptoKitty, I could
20 open up my hardware wallet and do that tomorrow.
21 **Q Okay.**
22 BY MR. LEASURE:
23 **Q So you bought it in the expectation that there**
24 **would be interesting things you could do with Ether in**
25 **the future?**

Page 120

1 A Yes.
2 **Q You didn't have anything specific in mind, but**
3 **you thought there could be?**
4 A Thought there could be.
5 **Q So just curious, Ether's a pretty liquid**
6 **market; right?**
7 A Yeah.
8 **Q Why not just wait until you saw an interesting**
9 **application and buy the Ether then?**
10 A I bought Ethereum not all at once. I bought
11 it at a few different times, and I bought it when I
12 first started getting excited about decentralized
13 applications that are being built on Ethereum.
14 I don't know when those applications are going
15 to be built. I mean, a good example, like I said,
16 CryptoKitties is something that emerged. I almost
17 bought one, and I decided that this is an ecosystem that
18 will continue to evolve and I would like to be in early
19 such that at the point in time when I do want to
20 participate, I could.
21 BY MR. MITCHELL:
22 **Q But couldn't you buy Ether today and then**
23 **participate?**
24 A I could.
25 **Q So why buy it previously?**

Page 121

1 A I bought previously because I supported
2 everything that was being built on Ethereum and thought
3 I wanted to buy some Ether at that time, not really
4 knowing exactly what was going to evolve.
5 Like I said before, having some Ether that I
6 owned kept me very engaged because I'm always looking at
7 what can I do with the Ether that I own. And owning it
8 at that time, like I said, Naval, who is someone that I
9 follow a lot of his reading and his podcasts, talked
10 about something that he found early on that helped him
11 was he bought some Bitcoin and it kept him very engaged
12 in reading about Bitcoin because he owned some. It's a
13 psychological --
14 MR. MENDEL: I have a follow-on question.
15 **Q At the time you -- or at the various times you**
16 **bought Ether, did you consider the price at which you**
17 **were buying?**
18 A Not particularly. I've bought it at multiple
19 different prices, so it wasn't really a huge
20 consideration for me.
21 **Q Did you buy at different prices by design?**
22 A Not by design.
23 **Q Why did you buy it at different times?**
24 A I bought it at different times based on
25 continuing to learn more about the platform.

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1 Like I said, I bought it initially when I
2 started getting excited about Ethereum, and then started
3 to see some more decentralized applications being built
4 on top of it, some more people building on top of
5 Ethereum, and got excited again about that.

6 I haven't bought any in a little while because
7 I've seen a lot of exciting things and feel like I own
8 enough Ether right now.

9 **Q Did the availability of funds that you owned
10 affect your decision to buy at any time?**

11 A No.

12 **Q That's it.**

13 BY MR. LEASURE:

14 **Q Let's go back to Exhibit 39. Can I point you
15 to page 19 that ends in Bates stamp 7709 and has the
16 title Crypt -- I'm sorry, CoinFund Crypto Investor
17 Survey?**

18 A Yes.

19 **Q Okay. You're there. Let me just read the
20 first sentence and ask you if you think about it.**

21 It says: Methodology. Working together with
22 the Kik team, CoinFund conducted a public and opensource
23 survey in the blockchain research and investment
24 community, targeting the set of people who are
25 knowledgeable and experienced in the issues surrounding

Page 123

1 blockchain-based decentralized crowdfunding and known
2 as, quote, crypto investors, closed quote.

3 Did you see that?

4 A I see that.

5 **Q Okay. Is this -- we may have touched on this
6 earlier. Is this a survey that CoinFund performed on
7 behalf of Kik?**

8 A Yes.

9 **Q Okay. Let me ask you about it. It -- they
10 say here that they were working together with the Kik
11 team. Did they work with you on that survey?**

12 A No.

13 **Q Do you know who they worked with?**

14 A I don't.

15 **Q Okay. They -- is it accurate that they
16 conducted, to your knowledge, public and opensource
17 survey in the blockchain research and investment
18 community?**

19 A I believe they had targeted -- I mean,
20 whatever is here. It's targeted people within their
21 kind of cohort of people engaged in the CoinFund
22 network.

23 **Q Okay. And the people they list here as
24 targeted are crypto investors? Do you see that?**

25 A Yes.

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1 **Q Did Kik ask them to target crypto investors?**

2 A Not specifically.

3 **Q Generally?**

4 A The term crypto investors, I believe, is a
5 little bit nebulous, and even early on, in -- some of
6 our dialogue used that term relatively loosely looking
7 at people that are participating in token sales, not
8 looking at crypto investors with a definition of their
9 intent based on their participation, but just looking at
10 generally people that participate in token sales broadly
11 as a crypto investor.

12 Since then, I think we've evolved our thinking
13 to understand that there -- there's nuance to that term
14 and it cannot broadly be applied to anyone that
15 participates in a token sale.

16 **Q Why not?**

17 A Because the term "investor" implies that
18 people are participating in the sale just with the
19 intent to make money, whereas there are people that
20 participate in token sales that are not participating in
21 the token sale with the intention to make money.

22 **Q And so is it right that some people
23 participate in token sales to make money, some people
24 participate for other reasons, and there's a variety of
25 motivations?**

1 A Yes.

2 **Q That's Kik's view?**

3 A Our view is that some people participate in
4 token sales to make money and some people participate in
5 token sales for other reasons.

6 **Q Okay.**

7 MR. MITCHELL: And you think that when people
8 read the term "crypto investor," they think it's the
9 group that are trying to make money?

10 THE WITNESS: I think today when we talk about
11 crypto investors, it would imply that. At the time of
12 this writing, it was looking at that term in a more
13 broad sense, not specific about the people that were
14 looking to make money.

15 MR. LEASURE: Okay.

16 BY MR. MITCHELL:

17 **Q Sorry, that's what CoinFund was using it to
18 mean?**

19 A I don't know what CoinFund's specific intent
20 around the term crypto investors was. I know at Kik we
21 used that term loosely early on in the project and we
22 came to a point where we were using more defined
23 definitions to more accurately articulate that people
24 are not necessarily participating in a token sale just
25 for profit.

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Page 126

1 Q So, wait, at the beginning of the project --
2 so at this process in March, what was CoinFund using the
3 term to mean?

4 A I don't know specifically what they were
5 bucketing as --

6 Q I'm sorry, not CoinFund. I apologize. You
7 said -- I meant Kik.

8 A Kik?

9 Q At this point in time, what was Kik -- when
10 Kik used the term, what was Kik using the --

11 A Crypto investor?

12 Q Yeah.

13 A People that participate in token sales.

14 Q People who buy tokens?

15 A People who buy tokens.

16 BY MR. LEASURE:

17 Q Regardless of motivation?

18 A Regardless of motivation.

19 Q I see. And so you're saying the nuance that
20 Kik has added over time is a sensitivity to varying
21 motivations people might have?

22 A Exactly.

23 Q And so there is some reluctance to use "crypto
24 investors" to refer to everyone in a --

25 A Correct.

Page 127

1 Q -- coin sale?

2 Has anyone ever instructed you -- in the
3 course of the Kin offering, did anyone ever instruct you
4 not to use the term "crypto investors"?

5 A There were discussions with our attorneys
6 about nomenclature and the implications there.

7 Q Okay. I don't want you to tell me what the
8 attorneys said. Can you identify the attorneys for me?

9 A The attorneys are attorneys from Cooley.

10 Q Okay. Anyone else?

11 A No.

12 Q Okay.

13 Outside of discussions with attorneys, did
14 anyone on the business side, for business reasons, talk
15 about the nomenclature of crypto investors?

16 A On the business side, also looking at the term
17 "crypto investors" and understanding that it was narrow
18 in its scope and there are other motivations that people
19 participate in token sales and the nomenclature that
20 should be used should be more representative of a broad
21 set of motivations.

22 Q Who'd you discuss that with?

23 A I don't recall a specific conversation. I
24 know at the company there was a transition where we
25 became more acutely aware of nomenclature.

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1 Q Okay.

2 Let me point you to the third paragraph here.
3 This describes, I think, the survey. It says: The
4 survey was posted on the CoinFund Slack and the Slacks
5 of several larger blockchain projects; sent to the
6 CoinFund mailing list; posted on social media, such as
7 Twitter, et cetera; and included in the Week in Ethereum
8 newsletter on March 12th, 2017.

9 The survey received 223 responses and polling
10 was closed on March 19th, 2017.

11 Did you see that?

12 A Yep.

13 Q First, a definitional term. What's a "Slack"?
14 What is "Slack"?

15 A So "Slack" is a communications product -- I
16 believe it's actually a Canadian company -- and is a
17 business chat forum but also is used for public
18 communications. So CoinFund has their own channel that
19 has open dialogue.

20 Q Okay. And so it sounds like CoinFund posted a
21 survey -- is this accurate -- to a variety of different
22 online sources?

23 A Yes.

24 Q Okay. Did you participate in developing the
25 survey?

Page 129

1 A No.

2 Q Did you develop the locations, Slack or
3 otherwise, on which the survey should be --

4 A No.

5 Q -- posted? Did you have anything to do with
6 the survey?

7 A No.

8 Q Okay. Do you know who at Kik, if anyone, did?

9 A No.

10 Q Okay. So this -- do you think this was a
11 CoinFund-driven project, this survey itself?

12 A This survey was driven by CoinFund.

13 Q Got it. Okay.

14 They have caveats here following. Do you see
15 that?

16 A Yep.

17 Q The caveats are sample size, limited
18 information, demographic bias -- maybe there's more --
19 sophistication bias, and exuberance.

20 Did you ever discuss the limitations of this
21 survey with anyone?

22 A Yes. Subsequent to this report, I had a
23 conversation with Peter about the inherent biases in the
24 sampling that CoinFund did, given that it was within
25 their network and was not representative of the entire

Page 130

1 market that Kin would be addressing.

2 **Q And in "their network," the "their" being**
3 **CoinFund?**

4 A CoinFund.

5 **Q Okay. They did post on Twitter; right? Is**
6 **that still within their network, in your view?**

7 A Yeah. CoinFund is not as connected in
8 consumer applications.

9 **Q Okay.**

10 A Which would be a large cohort of participants
11 in the Kin token sale, given its application for
12 consumer applications, and that was a bias that I think
13 is inherent here and I think is loosely identified in
14 their caveats.

15 **Q Yeah. So you raised that with Peter Heinke;**
16 **correct?**

17 A Yes.

18 **Q What did he think?**

19 A He agreed.

20 **Q And what did you guys do?**

21 A Looking at this survey data as one data point,
22 not using this as an exhaustive data point for
23 qualification.

24 **Q Were additional, and potentially more broader,**
25 **surveys ever run by Kik?**

Page 131

1 A Not formal surveys.

2 **Q Informal?**

3 A Informal conversations with other developers.

4 **Q Oh, we talked about that already --**

5 A Yes.

6 **Q -- correct? Those conversations were the only**
7 **additions to the CoinFund survey, that you're aware of,**
8 **in terms of market analysis?**

9 A As well as general analysis of the struggles
10 of other applications.

11 When I say "struggles," looking at App Annie
12 data, for example. I know, like, our Consumer Insights
13 team was qualifying the fact there are other
14 applications that are struggling with user growth, would
15 be an example.

16 **Q Got it. So correct me if I'm misinterpreting**
17 **what you're saying. Kik has a lot of experience in**
18 **consumer applications?**

19 A Yes.

20 **Q They run one?**

21 A Yes.

22 **Q And so on top of -- Kik had some concerns**
23 **about you -- and you and Peter had some concerns, at**
24 **least about the survey -- the scope of the survey**
25 **CoinFund ran; correct?**

Page 132

1 A Yes.

2 **Q On top of that, to assess the market, Kik drew**
3 **upon its experience and discussions with other people in**
4 **the consumer applications space?**

5 A Correct.

6 **Q And I don't want to say that's it, but I'm**
7 **trying to see if there's any other survey or anything**
8 **else done on top of that.**

9 A There's not a specific survey that was
10 completed.

11 **Q Fair enough.**

12 BY MR. MITCHELL:

13 **Q Did Kik tell other companies, before the**
14 **public announcement, that it was considering selling**
15 **tokens and setting up this ecosystem?**

16 A I am not sure what conversations may have
17 happened with other applications.

18 **Q Are you aware of any?**

19 A I'm not aware of any.

20 **Q Okay. And did -- on the Kik app -- as part of**
21 **Kik's sort of business of running the messaging app,**
22 **does Kik survey the people who use the app during the --**
23 **for questions that it has about things it wants to know**
24 **from them?**

25 A Yes.

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1 **Q How does it do that?**

2 A There's a bot called the Kik Team Bot that
3 will periodically ask questions of users in a survey
4 format.

5 **Q That's -- okay. And were there any surveys**
6 **done of Kik app users related to whether they had an**
7 **interest in buying a token or digital asset from Kik in**
8 **the future?**

9 A I'm not sure.

10 **Q Are you aware of any?**

11 A I'm not aware of any.

12 BY MR. LEASURE:

13 **Q Can I ask about that? Why? Just -- as an**
14 **outsider, Kik -- and I mean this complementary -- Kik**
15 **runs a social network, correct, in the Kik messaging**
16 **app? Was there a consideration to surveying Kik users**
17 **about this?**

18 A It may have happened. It's outside of my
19 domain. It's with the Consumer Insights team, so I
20 can't say I'm aware of it, but I can't say it did not
21 happen.

22 **Q Fair enough. Okay. But you didn't -- did you**
23 **have any discussions with anyone about maybe we should**
24 **survey the social network that we run?**

25 A I don't recall having any conversations about

Page 134

1 that.

2 **Q Fair enough.**

3 **On the survey, one of the caveats here, number**
4 **two, the survey maintained the anonymity of Kik**
5 **Interactive as the driver of market research. Do you**
6 **see that?**

7 A Yep.

8 **Q Is that accurate?**

9 A To the best of my knowledge, yes.

10 **Q Okay. In other words, to your knowledge, the**
11 **survey didn't say Kik's thinking about doing a coin**
12 **offering?**

13 A Correct.

14 **Q Kik specifically?**

15 A Correct.

16 **Q Do you know how they identified who was**
17 **looking at it?**

18 A I do not. The only exposure I have to the
19 survey questions are the ones that they called out in
20 the specific research report.

21 **Q Right.**

22 A And I believe they referenced "Reddit-like
23 community."

24 **Q Okay. Is that -- I think I've seen that. So**
25 **just what's your reaction? Is it -- with the goal, I**

Page 135

1 **take it -- well, let me back up.**

2 **Kik wanted its -- the survey to be anonymous**
3 **and not identify Kik as doing a coin offering; is that**
4 **right?**

5 A Mm-hm.

6 **Q Okay. So if that's the --**

7 MR. LENCH: I think he said "mm-hm." So was
8 that a yes?

9 THE WITNESS: Oh, sorry. I don't know how the
10 survey was developed.

11 BY MR. LEASURE:

12 **Q Fair enough. Was -- did you have an**
13 **understanding, either way, of whether Kik wanted, at the**
14 **time, to not out itself and to be anonymous about this?**

15 A I'm not sure.

16 **Q Okay.**

17 **To the extent the survey asked for a -- I**
18 **think it was a Reddit-like application. Is that a fair,**
19 **if rough, analogy to Kik at the time?**

20 A Yes.

21 **Q Okay. So you wouldn't quibble with, if you**
22 **have to be anonymous, that as a proxy for something like**
23 **Kik?**

24 A What do you mean by "quibble"? Sorry.

25 **Q You wouldn't way that's just a terrible proxy**

Page 136

1 **for --**

2 A No.

3 **Q Okay. Sorry, you're right; quibble is not the**
4 **best.**

5 **Let me point to a few of the survey results,**
6 **if I can. Demographics is on page 20, and so that's**
7 **stamp 7710?**

8 A Yep.

9 **Q The survey results showed that 91.5 percent of**
10 **respondents were male and 78.5 percent of respondents**
11 **were between the ages of 19 and 40. Less than 1.3**
12 **percent of respondents were 18 or younger.**

13 **Did you see that?**

14 A Yep.

15 **Q How does that demographic compare to the**
16 **existing Kik user base demographic?**

17 A It is under-representing the 18 and younger.
18 There's a strong representation in the 19 to 40, where
19 19 to 24 is the largest cohort of Kik users.

20 **Q And I take it that it's under-representing**
21 **females as well?**

22 A Yes.

23 **Q Okay. Kik isn't 90 percent male?**

24 A Correct.

25 **Q Okay. Okay.**

Page 137

1 **Did any of the demographics of the respondents**
2 **give you pause or concern about the reliability of this**
3 **survey?**

4 A The survey, as I mentioned before, served as a
5 -- one data point. What I would say this is
6 representative of, the demographics, is a representative
7 of consumer application developers.

8 People that are building these consumer
9 applications are predominantly male and predominantly
10 between the ages of 19 and 40. So if I'm looking at
11 these demographics, I think it shows a very strong
12 representation of potential purchasers of Kin, given
13 that it represents developers who would integrate Kin
14 into their platform.

15 **Q Got it. And that is, in fact, your target**
16 **audience for the offering; right?**

17 A That is one of the audiences --

18 **Q Okay.**

19 A -- in the offering.

20 **Q Developers for the platform?**

21 A Developers for the platform.

22 **Q On top of users and the like?**

23 A Yes.

24 **Q Let me point you to page 25. That's at Bates**
25 **stamp 7715.**

Page 138

1 A Yep.

2 **Q** It's a section User Versus Investor Interest.

3 In this survey, we interviewed crypto

4 investors and expected that most respondents would be

5 interested in the investment side of the token

6 proposition. Given a hypothetical investment

7 opportunity in a, quote, crypto token-supported Reddit,

8 end quote, we received the following breakdown.

9 And data follows from that. I guess first I

10 should ask you is this an accurate summary of the

11 results that CoinFund received in its survey?

12 A This output is what I saw. I didn't see the

13 raw data of the survey.

14 **Q** You never did?

15 A I never saw the raw data.

16 **Q** Okay. Was the data -- sorry, you didn't see

17 the data itself, so that's a silly question.

18 Let me ask you, do you know if the survey

19 results were anonymized by the survey recipients?

20 A I'm not sure.

21 **Q** You -- so you wouldn't know either way if you

22 could tell if a survey respondent eventually bought Kin

23 or didn't?

24 A Correct.

25 **Q** Okay.

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1 You have -- do you have any reason to think

2 that this is an inaccurate statement of the survey

3 results?

4 A I have no reason to believe this is

5 inaccurate.

6 **Q** Okay. And there -- was there any -- we talked

7 about subsequent or additional research or thought at

8 Kik. Was there any subsequent survey done of potential

9 Kin purchasers on this topic of motivations?

10 A Not that I'm aware of.

11 **Q** Okay. Okay.

12 Did anyone discuss this particular result of

13 the survey analysis within Kik?

14 A I don't recall any specific conversations.

15 **Q** Let me point you to page 26. That's Bates

16 stamp 7716. So this refers to a CoinFund crypto

17 investor panel, and if you see under Methodology, in

18 March, CoinFund interviewed ten experienced crypto

19 investors, and it goes on from there.

20 A Yep.

21 **Q** Was this a separate work stream for CoinFund?

22 A I believe so.

23 **Q** Okay.

24 A The output of this document was the first I

25 was aware of the survey and panel.

Page 140

1 **Q** Right. You didn't participate in this panel

2 either?

3 A I didn't participate in the panel.

4 **Q** Okay. Do you know why it was done?

5 A I do not.

6 **Q** So from -- just from reading this document, it

7 looks like they surveyed people broadly -- I mean,

8 not -- in some way out there in the world more broadly,

9 and then spoke to sort of thought leaders in the space?

10 A Mm-hm.

11 **Q** Is that a fair way of looking at it?

12 A Correct.

13 **Q** Do you know why they did this panel?

14 A I do not.

15 **Q** Okay. Did it inform your understanding or

16 Kik's understanding of the outlook on this project?

17 A A few of the names on this list are prominent

18 in building applications in cryptocurrencies. Looking

19 specifically at Ned from Steemit, for example; Jesse

20 Walden, who founded Mediachain, which was subsequently

21 acquired by Spotify. So there are a couple of names on

22 this panel which I believe carry some weight, given

23 their understanding of consumer applications.

24 I am not sure why the panel was initially part

25 of the brief, but I think there was some value here.

Page 141

1 **Q** Okay. Did you ever analyze the results of

2 this panel yourself?

3 A I reviewed the responses.

4 **Q** Okay. Did -- I take it nothing gave you pause

5 about proceeding with the coin offering?

6 A No.

7 **Q** In fact, it was positive on the idea,

8 generally, from your perspective?

9 A I think generally there were some good points

10 raised.

11 **Q** Okay. Did anything -- did any aspect of the

12 token offering, or its structure, change as a result of

13 the feedback from these experienced crypto investors?

14 A Not that I'm aware of.

15 **Q** Okay.

16 Just finishing up this document, let me point

17 you to page 30. That's Bates stamp 7720.

18 A Yep.

19 **Q** On page 30 and 31, it lists Token Structure

20 Goals. The following outline describes the goals and

21 structuring KT as we described.

22 And it continues. I guess I should first

23 define "KT." Is that Kin Tokens?

24 A It was a placeholder. At the time, Kin was

25 not the official name, so you'll see instances in some

Page 142

1 documents of Kin -- KT or Kik Tokens, I believe I saw a
2 couple times in some of the CoinFund because there was a
3 placeholder.

4 **Q Kin wasn't named yet?**

5 A Kin was not named yet.

6 **Q Okay.**

7 And it lists a couple bullet points of these
8 goals -- of the token structure goals on page 31. And
9 just to look -- just to point to the items in bold:
10 **Fundraising, monetization through pre-allocation, in-app**
11 **monetization, and price stability.**

12 **Were these Kik's goals as well for a token**
13 **offering and its structure?**

14 A I don't know where these bullet points were
15 driven from, whether that was CoinFund or was given as a
16 brief. To the best of my knowledge, all discussions at
17 Kik were around the monetization tool and the business
18 model of Kin for applications like Kik and others.

19 **Q So the first bullet point here -- Fundraising:**
20 **To create a revenue event for Kik Interactive, and it**
21 **goes on from there -- to your knowledge, at -- was that**
22 **a goal -- one of the goals of a Kin offering?**

23 A To my knowledge, I am not sure if that was
24 given to CoinFund as a brief. I know there was
25 discussions about the fact that there would be a revenue

Page 143

1 event in selling Kin tokens.

2 **Q Okay. Was that -- let's leave aside CoinFund**
3 **and their brief. Was that -- in your head at the time,**
4 **was that one of the goals of the token offering?**

5 A It was a variable in the Kin token offering
6 would be selling the Kin, the revenue that comes from
7 selling Kin.

8 **Q Understood. And I'd asked if it was a goal,**
9 **and I think you had said "variable." Is that the same**
10 **thing or different?**

11 A I would not say definitively that it was a
12 goal. It -- I used the term "variable" because it was
13 discussed as a component of doing the Kin token sale. I
14 cannot speak specifically if that was the prominent
15 goal.

16 **Q Okay. All right.**

17 **Let me point you -- the last thing on this**
18 **document -- to page 37. That's Bates stamp 7727, and**
19 **particularly the section that says Raise Estimate.**

20 **Just pointing you to the chart on the bottom,**
21 **it has Crypto Investors and then a row for Participants**
22 **ranging from 1500 to 10,500, and then Revenue, you know,**
23 **with different parts ranging from \$7.9 million to \$55**
24 **million.**

25 **Do you see that?**

Page 144

1 A Yep.

2 **Q We had talked earlier, is this the range at**
3 **which -- at the time, early 2017, is this the range of**
4 **dollar amounts that Kin -- Kik was thinking it could**
5 **raise in a token event?**

6 A This was in the order of magnitude based on
7 this chart here, yes.

8 **Q Right. Okay. So it obviously increased over**
9 **time subsequent to this?**

10 A This was the initial data point that showed
11 some potential scenarios and was the -- what was
12 discussed at the time.

13 **Q Okay. And am I right in reading this chart**
14 **that the expectation was that the more participants**
15 **there were, the more revenue there would be?**

16 A Correct.

17 **Q So in other words, at 1500 participants, you**
18 **only have 7.9 million in revenue; if you increase that**
19 **to 10,500 participants, you have 55 million in revenue;**
20 **right?**

21 A Correct.

22 **Q How many participants were there ultimately in**
23 **the token event that happened?**

24 A Approximately 10,000.

25 **Q And Kik raised about 50 million from them; is**

Page 145

1 **that right?**

2 A Correct.

3 **Q Okay. So this appears to be roughly**
4 **consistent with the expectations then?**

5 A Correct.

6 **Q Okay. We'll turn to that more in the future.**
7 **I'll take that document back. We might turn back to it,**
8 **but if I could get your copies back in case we do turn**
9 **back to it, that would be helpful. Thank you.**

10 **So tell me about -- we have just walked**
11 **through CoinFund's analysis. Tell me Kik's reaction to**
12 **this research that CoinFund prepared.**

13 A Subsequent to CoinFund's research being
14 prepared, there was a -- they presented that to Kik
15 management as well as a few others. I believe I was in
16 attendance as well as Hayeon -- I don't recall if there
17 was anyone outside of Hayeon and I -- as well as Kik
18 management, and the reaction was that this provided some
19 good data points to help qualify if this is an
20 opportunity that was viable to continue forward in doing
21 research.

22 But the reaction was also that this was not an
23 exhaustive research report that would be indicative of
24 the entire market for Kin.

25 **Q So they presented in-person?**

Page 146

1 A Via video, I believe.

2 **Q Video. Okay. And who had the reaction, if**

3 **you remember, that this may not be the entire market**

4 **indicative of Kin?**

5 A I don't recall a specific champion of that

6 idea. I think it was general consensus.

7 **Q And what did CoinFund think about that?**

8 A That discussion happened without CoinFund

9 involved in the discussion. That was a subsequent

10 conversation.

11 **Q Okay. And that was an internal discussion**

12 **involving senior management?**

13 A Yes.

14 **Q Okay.**

15 A That feedback was provided to CoinFund, I

16 believe, after that.

17 **Q And how did CoinFund then react?**

18 A I think they agreed that their survey did not

19 necessarily encapsulate all of the app developers that

20 could potentially be integrating Kin.

21 **Q Looking back on it, what would a more robust**

22 **survey have looked like, in your view?**

23 A A more robust survey, in my view, would have

24 included a larger cohort of participants in the survey.

25 I don't know all of the survey questions that were

Page 147

1 asked, so I can't comment specifically on the substance

2 of the survey.

3 MR. MITCHELL: Sorry, so the discussions that

4 the Kik folks were having in response was that the

5 market for the tokens was probably larger than what

6 CoinFund was saying, because it was -- because CoinFund

7 was focused on part of the market?

8 THE WITNESS: Yes.

9 BY MR. LEASURE:

10 **Q Let me show you a document that may relate to**

11 **this time. I'm going to have this document marked as**

12 **Exhibit 106.**

13 (SEC Exhibit No. 106 was marked for

14 identification.)

15 Take a look at Exhibit 106, and let me know

16 when you're ready. I'll identify Exhibit 106 for the

17 record, while you're reviewing it, as a multipage

18 document with Bates stamp Kik 44719. It has the title

19 Review of CoinFund Deliverable, March 22nd, 2007.

20 And because it's not obvious on its face, when

21 people like Kik produce documents to us, it comes with

22 metadata --

23 A Okay.

24 **Q -- which I'm sure you know what metadata is.**

25 The metadata, according to this, was this was in Erin

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1 Clift's files, and it's a Word document.

2 A Okay.

3 **Q So I can ask you, first, do you recognize this**

4 **document?**

5 A I do.

6 **Q What is it?**

7 A This is meeting minutes from a review of the

8 CoinFund Deliverable.

9 **Q As it says.**

10 A It's a very intuitive title.

11 **Q Indeed. And so this was immediately after**

12 **CoinFund sent you the exhibit that we just reviewed?**

13 A Yes.

14 **Q Okay. Is -- you're referring to a variety of**

15 **meetings. Is this one of the meetings that took place**

16 **in response to that?**

17 A Yes.

18 **Q Okay. And I think you had said that there was**

19 **senior management and you and a handful of others. This**

20 **is that meeting?**

21 A Correct.

22 **Q Okay. And you're one --**

23 MR. LENCH: Jeff, I'm sorry, just if you're

24 going to get into -- I don't know if the Witness has had

25 time to review it.

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1 Or are you comfortable? Because he's --

2 THE WITNESS: Right. I've seen the document.

3 I haven't gone --

4 MR. LEASURE: No, that's fine.

5 MR. LENCH: I'm just wondering if it makes --

6 THE WITNESS: No, I appreciate that.

7 MR. LENCH: If you're going to ask questions,

8 Jeff, about this, if it makes sense for him to take a --

9 BY MR. LEASURE:

10 **Q You are welcome to.**

11 A Okay.

12 **Q I will be pointing you to specific parts, but**

13 **go ahead.**

14 A I do appreciate that.

15 **Q Yeah.**

16 A Okay. I'm ready.

17 **Q Okay. Thank you for that.**

18 A Thank you.

19 **Q Sure.**

20 At the top, on page -- on the first page of

21 this, there's an agenda: What's the high level

22 offering? And there are four categories there.

23 At this -- we had talked about nomenclature

24 before, and I don't want to get hung up on nomenclature

25 every time, but the first bullet is Investor.

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1 A Mm-hm.

2 **Q Is this the way, at the time, Kik referred to**
3 **what eventually you guys would think of as the**
4 **purchasers or the user base of this?**

5 A Correct.

6 **Q Okay. That's fine.**

7 **And it's Investor, Community, Main Stream**
8 **Application, and Financial Value Upside. Can -- what**
9 **discussion was there at this time about the financial**
10 **value or upside to purchasers of Kin?**

11 A The discussion was, I believe, largely tied
12 to -- well, right beside it -- main stream applications
13 and the value that an application could have from
14 participating in the Kin ecosystem and the monetization
15 or sustainability from a financial perspective.

16 BY MR. MITCHELL:

17 **Q I'm sorry, so this is the idea that there**
18 **might be companies out there that might want to monetize**
19 **their content?**

20 A Yes. Which is also down here at Partners, but
21 also from the value that's generated from participating
22 in the Kin Rewards Engine, or a distribution like the
23 Kin Rewards Engine, that would have the value increase
24 by being a participant in this ecosystem, which is the
25 premise of the economy underpinned by a cryptocurrency.

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1 **Q Sorry, I don't see it. Where is economy**
2 **underpinned?**

3 A It's not in the document.

4 **Q Oh, not in the document.**

5 A That was my words.

6 BY MR. LEASURE:

7 **Q Okay. So was there discussion around this**
8 **time about how users might obtain financial value or**
9 **upside from purchasing Kin?**

10 A There -- to the best of my knowledge, there
11 was not a specific mechanism discussed at this point.

12 **Q Okay. How about subsequently?**

13 A The large part of the dialogue around the
14 financial value and upside is as a participant
15 participating in this economy as it grows. Given that
16 it is a scarce currency, the value of that currency will
17 grow as there is more demand for the currency.

18 So as a developer is participating in this
19 economy, if they have Kin and there are more developers
20 that come in and create more demand for that currency,
21 given that there's more things that you can earn and
22 spend it on, the value of that currency would increase.

23 **Q Makes sense. And that's premised on two**
24 **things. Correct me if I'm wrong: One, a finite amount**
25 **of Kin in the universe?**

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1 A Correct.

2 **Q Right. And then, two, increased demand?**

3 A Correct.

4 **Q If there's increased demand and a finite**
5 **amount of the thing, the value might increase?**

6 A Exactly.

7 **Q And that could pose an upside to someone who**
8 **bought Kin?**

9 A Correct.

10 **Q Okay.**

11 BY MR. MITCHELL:

12 **Q And you had mentioned developers earlier. Was**
13 **the financial upside available only to people who bought**
14 **Kin and then helped develop the ecosystem?**

15 A No.

16 **Q So if people bought Kin but didn't do anything**
17 **to help the ecosystem, there was still -- they would**
18 **still see an increase in value if demand rose?**

19 A They would own the same Kin that everyone
20 owns, so whether they are developing on the platform or
21 not, they would see the same increase in value of Kin.

22 BY MR. LEASURE:

23 **Q A bullet point -- still on the first page --**
24 **under Agenda, it's: What are our next steps? Internal**
25 **and external.**

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1 **Sub-bullet: Need to get answers to key**
2 **questions below. Work with CF or Colu? C-O-L-U?**

3 A Yep.

4 **Q Or other experts in the space to dig into each**
5 **area.**

6 **CF is CoinFund?**

7 A Yes.

8 **Q Who is C-O-L-U?**

9 A Colu is a company based out of Israel. They
10 have a cryptocurrency wallet. It's actually relatively
11 prominent in Israel where people sometimes pay with
12 Bitcoin with their Colu wallet.

13 At the time, there was a thought about
14 potentially engaging Colu, given they had a consumer
15 application of a cryptocurrency. That engagement did
16 not take place.

17 **Q Why not?**

18 A I do not know why their -- it was not engaged
19 with Colu.

20 **Q Okay. So the experts that -- and we touched**
21 **on this already, but at a high level, the outside**
22 **experts that Kik worked with on the Kin offering were**
23 **CoinFund and subsequently CoinTree?**

24 A Correct.

25 **Q And those are the major ones?**

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1 A Correct.
 2 **Q Got it.**
 3 Let me pause here. The document then also has
 4 **HK notes towards the back. I take it that's Hayeon Kim?**
 5 A Correct.
 6 **Q Okay. At a high level, we talked about the**
 7 **CoinFund analysis that we just reviewed. You had stated**
 8 **that there are some discussions about the survey**
 9 **methodology being limited.**
 10 A Yes.
 11 **Q Was that discussion -- did that discussion**
 12 **take place at the meeting described here?**
 13 A I don't recall specifically. The -- I believe
 14 it was raised.
 15 **Q Okay. Do you see -- again, I -- if you don't,**
 16 **if you haven't had time with it, I understand. Do you**
 17 **see any reference to that discussion in here that --**
 18 A I don't recall all the notes in here --
 19 **Q Sure.**
 20 A -- so I'd have to --
 21 **Q Okay.**
 22 A -- read through.
 23 I don't specifically see it referenced in
 24 here.
 25 **Q Okay.**

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1 A I'm not sure if you had seen it.
 2 **Q That's why. I hadn't seen it.**
 3 A Okay. I haven't seen it.
 4 **Q And I'm trying to see if there's something**
 5 **vague that I'm not understanding that is referring to**
 6 **that.**
 7 I also, just to be candid, don't see much
 8 discussion of -- we had looked at one piece of the
 9 CoinFund analysis that went into motivations for the
 10 purchase, that is, people are doing this whether to
 11 invest, to speculate, versus to use it. Was that a part
 12 of the discussion at this meeting?
 13 A I don't recall.
 14 **Q Okay. Do you -- let's leave aside Exhibit 106**
 15 **and just that document. Do you recall any written**
 16 **communications or piece of paper in your head that laid**
 17 **out concerns within Kik about the limited methodology of**
 18 **the CoinFund survey?**
 19 A I do know subsequent to this, there was a
 20 request for additional research and there were some
 21 additional questions asked.
 22 **Q Right. And we might turn to that.**
 23 A Yeah.
 24 **Q That was of CoinFund?**
 25 A Yes.

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1 **Q Okay. How about anything else? Were there**
 2 **any internal documents within Kik you can picture about**
 3 **the limited methodology that you identified in the**
 4 **survey?**
 5 A I don't recall.
 6 **Q Okay.**
 7 And then how about the other thing I was
 8 asking about? CoinFund provided some analysis of the
 9 motivations of people who might buy in a KT at the time;
 10 correct?
 11 A Correct.
 12 **Q Okay. Do you remember any written document or**
 13 **analysis within Kik further questioning or analyzing**
 14 **that question?**
 15 A I don't recall a specific written document.
 16 **Q Fair enough. I'll take that back.**
 17 A Okay.
 18 **Q I think we're done with it. Thanks.**
 19 BY MR. MITCHELL:
 20 **Q Just say beyond written documents, did you and**
 21 **other -- you or other people at Kik do any other work**
 22 **trying to understand what people's -- trying to**
 23 **understand what people's motivations were likely to be**
 24 **when they were buying?**
 25 A As I mentioned before, some of the team that

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1 works with bot developers or other content providers had
 2 provided some positive feedback from people within their
 3 network. I had mentioned the Botness conference, for
 4 example.
 5 **Q Sorry, yes, I appreciate that. I mean, but**
 6 **also did anyone do anymore work to try to figure out**
 7 **sort of what percentage of people would have certain**
 8 **incentives or certain -- seemed to be driven by certain**
 9 **things versus others versus others?**
 10 A Not that I'm aware of.
 11 **Q Okay.**
 12 BY MR. LEASURE:
 13 **Q Did Ted Livingston himself have a reaction to**
 14 **the CoinFund analysis?**
 15 A He did.
 16 **Q Tell me about it.**
 17 A I don't recall specifically, just given it was
 18 over a year ago.
 19 **Q Understood.**
 20 A I know that Ted, among the rest of management
 21 as well, was looking for tangible next steps as to
 22 continuing to look at what integration would be as well
 23 as how this could be communicated succinctly, the Kin
 24 project specifically, and part of the engagement with
 25 CoinFund was around understanding what a succinct and

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1 appropriate white paper would look like.

2 **Q** It seems like within that, one of the concerns
3 was succinctness or -- am I following that right?

4 **A** Yes.

5 **Q** Okay. Why is that? What was the issue there?

6 **A** Ted is just a very succinct communicator.

7 **Q** Okay. That's fair enough. Okay.

8 Let me show you a document, in part just to
9 see if it's something you would have received.

10 **A** Okay.

11 **Q** I'm having this document marked as Exhibit
12 107.

13 (SEC Exhibit No. 107 was marked for
14 identification.)

15 **A** Thank you.

16 **Q** Exhibit 107 is a multipage printout of an
17 e-mail chain ending March 24th, 2017, with the subject
18 My Vision for Kik Points, 2.0. It begins with the Bates
19 stamp Kik 26624.

20 My first question is do you recognize this
21 document?

22 **A** No.

23 **Q** Okay.

24 The second question then is I believe the
25 chain begins with an e-mail from Ted Livingston to

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1 **Q** Take a look at Exhibit 108, and let me know
2 when you're ready. I think, happily, you're on Exhibit
3 108.

4 Exhibit 108 is a multipage printout of an
5 e-mail chain with an attachment. It ends March 28th,
6 2017, with the subject Thanks for Helping; I'll Check In
7 With You on This Tomorrow A.M. And it has the Bates
8 stamp Kik 17481.

9 What is -- do you recognize this document?

10 **A** I do recognize this document.

11 **Q** Okay. What is this?

12 **A** This is an e-mail chain with Hayeon and myself
13 discussing the slide show presentation for Sit Down,
14 which is a company all-hands. And at the back of this
15 document is the presentation that was delivered at Sit
16 Down.

17 **Q** Okay. So Sit Down is a method by which
18 people -- internal communications at Kik happen?

19 **A** Correct.

20 **Q** Okay. And you were asked, correct me if I'm
21 misreading this, to help draft slides for that?

22 **A** Correct.

23 **Q** Okay. And is it right that these slides
24 summarize the potential, among other things, about
25 thinking about moving into the crypto space?

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1 Leadership Team, and that's exec@kik.com. Do you see
2 that?

3 **A** Yes.

4 **Q** Are you -- at the time, were you a recipient
5 on that e-mail?

6 **A** No.

7 **Q** Okay. Do you know who was?

8 **A** I believe it would have been Ted, Erin, Dany,
9 Peter, Dave, Eran.

10 **Q** Okay. And did they -- the first sentence he
11 writes is: Hi, all. I had a chance to sync with a few
12 of you about the crypto meeting on Wednesday.

13 Do you think that's the meeting the agenda of
14 which we just reviewed in a prior exhibit, or something
15 else?

16 **A** I don't know.

17 **Q** You don't know either way? Okay. Keep that
18 in front of you, because I think I may have a document
19 you're on where much of what Ted's writing is also in
20 there.

21 **A** Okay. Yep.

22 **Q** I'm going to have this marked as Exhibit 108.
23 (SEC Exhibit No. 108 was marked for
24 identification.)

25 **A** Thank you.

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1 **A** Correct.

2 **Q** Okay. As a follow-on to the CoinFund
3 analysis?

4 **A** Correct.

5 **Q** Okay. Is it also -- we had looked -- I had
6 shown you Exhibit 107 in part to see if it would give
7 you context to what some of the text is --

8 **A** Yep.

9 **Q** -- that Hayeon sent you. Do you see that?

10 **A** Yes.

11 **Q** Is it right that some of what Hayeon sent you
12 is summarizing 107 as Ted's thinking and vision for this
13 project?

14 **A** Correct.

15 **Q** Okay. Thank you.

16 And is this an accurate summary of what
17 Ted's -- to your understanding, Ted Livingston's vision
18 was for the project at this time?

19 **A** Yes.

20 **Q** And is it still his vision for this project?

21 **A** Yes.

22 **Q** Okay. Sounds like his vision hasn't
23 significantly changed since the onset?

24 **A** Correct.

25 **Q** Okay. And is it fair to say that he's still

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1 enthusiastic and believes in this project?
 2 A Yes.
 3 Q Excellent. Okay.
 4 If I can point you then to -- I believe, if
 5 I -- starting on the second page of Exhibit 108, Bates
 6 stamp 17482, where it begins with "More detailed
 7 background on Ted's thinking," is it fair to say this a
 8 copy and paste of what Ted wrote in Exhibit 107?
 9 A Yes.
 10 Q Okay. So this is Ted's writing.
 11 Towards the bottom of it, it writes: Why
 12 would we do this? Why not just keep Kik Points running
 13 on our own private database? Why put it on the
 14 blockchain at all?
 15 A Sorry, which page?
 16 Q You're totally perfect. 17482.
 17 A Okay. Cool.
 18 Q Okay. Do you see where I [sic] wrote that?
 19 A Yes.
 20 Q And he writes that there are three reasons to
 21 do this --
 22 A Yes.
 23 Q -- going on to 17483? Okay.
 24 Under Item 1: It is a way to raise money to
 25 fund development. Is that one of the reasons for the

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1 conversations with our attorneys.
 2 Q Okay. So it's -- is it fair to say that like
 3 the nomenclature we talked about for crypto investors,
 4 there was a business and legal component to using the
 5 term "ICO"?
 6 A Correct.
 7 Q Great.
 8 Let me point you then -- leaving that aside.
 9 A Yeah.
 10 Q You may not hear me say the words "ICO" again.
 11 "It is a way to raise money to fund
 12 development." Was that one of the goals of the token
 13 project that became Kin?
 14 A This was an important variable, as I have
 15 mentioned before. The goal of the project was to have a
 16 fundamentally new business model. The raising of money
 17 was a component that came along with that, and like I
 18 said, was a variable.
 19 I had struggled to call it the specific goal
 20 because I don't think it was the main goal.
 21 Q Sure. So you would say it's a component, or
 22 maybe even a goal, but not the or primary?
 23 A Correct.
 24 Q Okay.
 25 It's -- it cost money to change a business

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1 ICO that happened?
 2 A We very specifically didn't use the term "ICO"
 3 after, I think, a certain point, so I just wanted to
 4 clarify that as well.
 5 Q That's just -- let me ask about that. Why
 6 not?
 7 A Why not?
 8 Q Yeah.
 9 A The term "ICO," which I see in here in this
 10 document, but -- was starting to get -- was painting a
 11 lot of token offerings with the same brush.
 12 I believe there were some token offerings that
 13 were branded as ICOs and did not align with the view of
 14 the company as to what a token sale was really a
 15 function of and the importance of a token sale.
 16 We called it a "token distribution event" as
 17 very specifically trying to get, again, more specific
 18 about nomenclature, similar to the comment previously
 19 about "crypto investor" as a broad-brushed term, and the
 20 importance of the distribution to participants of the
 21 network.
 22 Q And was that a business desire to separate
 23 yourself from other projects out there in this space
 24 calling themselves ICOs?
 25 A There was a business decision as well as

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1 model?
 2 A Yes.
 3 Q And the money what was raised in the token
 4 event was necessary to help change the business model?
 5 A The revenue from the token project would
 6 contribute to the actual launch and development of some
 7 of the subcomponents that go into launching this new
 8 business model.
 9 Q Great.
 10 I wanted to point you, within this block of
 11 chain under -- block of text under Item 1,
 12 second-to-last sentence. I'll start reading so you can
 13 see where I am.
 14 The value proposition to investors is that if
 15 they buy in today at the ICO and then the demand for the
 16 currency goes up because of all the things we do to
 17 create demand for them, then they will be able to sell
 18 their points at a higher price in the future and make a
 19 return.
 20 I'll pause there. Was it your understanding
 21 that that was the value proposition being offered by Kin
 22 to Kin purchasers?
 23 A In reading this, it is stated as one of the
 24 value propositions. I can't dispute that.
 25 In terms of the dialogue at the company and

1 the motivations of the teams working on this, was to
2 create this fundamentally new business model and
3 continued to be the main dialogue, but this appears in
4 this document here.

5 **Q Okay. And so would you agree -- well, you**
6 **don't know what the motivations were for people who**
7 **bought Kin? Each individual purchaser?**

8 A I can't know the motivation of each
9 individual.

10 **Q There were 10,000 --**

11 A Correct.

12 **Q -- right? Would you agree that it is possible**
13 **that at least some of them did so in order to obtain a**
14 **profit?**

15 A Some of them would have participated for that
16 reason.

17 **Q And some of them might have participated for**
18 **other reasons; right?**

19 A Correct.

20 **Q Okay.**

21 **Would you agree that to the extent people were**
22 **purchasing -- sitting here today, would you agree that**
23 **to the extent someone purchased Kin in order to make a**
24 **profit, Ted's summary of this value proposition is an**
25 **accurate summary of what the value proposition was?**

1 A For some participants of this sale, this could
2 be a value proposition for them.

3 **Q Right. Right. And I -- for purposes of this**
4 **line of questioning, I'm not trying to discuss with you**
5 **what people's actual motivations were.**

6 A Right.

7 **Q To understand though, sitting here today, is**
8 **this -- to the extent people are buying Kin or holding**
9 **Kin in order to make money, is this a succinct and**
10 **accurate way of describing what the value proposition**
11 **would be for them?**

12 A For some participants, this could be a
13 succinct value proposition.

14 **Q Is there some other way in which they could**
15 **expect to profit if that was their goal?**

16 A The vision of Kin is this decentralized
17 ecosystem. I know we've used that term a lot --

18 **Q That's fine.**

19 A -- but a lot of applications building around
20 this, and there is, on one side, this monopoly of a few
21 that we've talked about, and then there's a whole long
22 tail of developers that are not one of the four.

23 And there is a new business model that is
24 being introduced that would be a link between all of the
25 long tail that are not in the, call it, The Big Four,

1 and there's a lot of value that can be created by the
2 demand.

3 And I note Ted in here says "we." I can't
4 speak specifically to what he was saying about "we," but
5 I believe, based on the way that I've heard Ted talk
6 about this, is "we" as developers and developer
7 community and not specifically just Kik Interactive the
8 company.

9 And there would be value created by a lot of
10 developers adopting this.

11 **Q I see. So where he says: Then the demand for**
12 **the currency goes up because of all the things we do to**
13 **create demand for them, it's your belief that Ted is not**
14 **referring just to Kik Interactive and its employees in**
15 **the "we"?**

16 A I can't speak specifically to his intent.
17 Obviously, there's -- these are his words, but based on
18 other conversations of how we as a company have talked
19 about the growth of this ecosystem, it is all about
20 developers coming together.

21 **Q Okay. So let's pause. There's a value**
22 **proposition that Ted laid out here for people who might**
23 **be seeking to make a profit; correct?**

24 A Correct.

25 **Q To the extent there are those people out**

1 **there. We're going to turn, probably after lunch, to**
2 **white paper -- the white paper and marketing efforts.**

3 A Yep.

4 **Q Before we do, at a high level, was this value**
5 **proposition that Ted described -- Mr. Livingston**
6 **described here communicated to the public?**

7 A To the best of my knowledge, it was not.

8 **Q Why is that?**

9 A Because the main goal, as I had mentioned
10 before, was to create this fundamentally new business
11 model, and communicating multiple value propositions
12 would be confusing when it is not the main goal.

13 The main goal was about this decentralized
14 ecosystem and developers having this disruptive business
15 model. So all of the communication was centered around
16 that.

17 And therefore the dialogue in, like, bullet
18 point one that you reference here was not specifically
19 communicated publicly as it was not the main goal of the
20 project.

21 **Q It was not Kik's main goal?**

22 A It's not the goal of the project in general.

23 **Q Okay. You don't know if -- sitting here**
24 **today, you don't know if obtaining the value proposition**
25 **that Ted outlined here was the goal of all, some, or few**

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1 of Kin purchasers?

2 A I don't know which segment of the purchasers
3 see this as the main value proposition.

4 Q You -- it could be 90 percent; it could be 10
5 percent. You don't know?

6 A I don't think it was 90 percent, but I don't
7 know specifically the quantity.

8 Q Okay. So -- and we're going to break for
9 lunch very shortly, because I'm sure we're all tired.

10 At a high -- I just want to get your
11 reactions. It seems odd to me that a value proposition
12 of a product isn't communicated to people in the
13 marketing.

14 Can -- again, it's your testimony that the
15 reason for that is because that wasn't Kik's purpose in
16 this project?

17 A The reason that this specific value
18 proposition of people buying and then selling at a
19 higher price for the future to make a return was not
20 communicated externally because this was not the main
21 goal of the project or issuing Kin in the token sale.

22 Q For Kik?

23 A This was not the main motivation for launching
24 Kin. It was not to launch Kin such that people could do
25 this.

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1 The reason for launching Kin was to have this
2 new business model that developers could implement.
3 This, as I read it today, is identified as a value
4 proposition that some people would look at what is
5 happening with Kin and see the opportunity to capture
6 this value proposition, but was not the intent of
7 launching or selling Kin.

8 BY MR. MITCHELL:

9 Q Whose intent?

10 A Whose intent of?

11 Q Whose intent to launch and sell Kin?

12 A Kik launched Kin.

13 Q Okay.

14 MR. LEASURE: All right. Okay. That's all --
15 why don't we go off the record. I'll take these
16 documents back.

17 THE VIDEOGRAPHER: Going off the record. The
18 time is now 1:14 and 30 seconds on the video monitor.

19 (A recess was taken from 1:14 p.m. to 2:17
20 p.m.)

21 THE VIDEOGRAPHER: We are back on the record.
22 The time on the video monitor is 2:17 and 28 seconds.

23 BY MR. LEASURE:

24 Q Back on the record after a lunch break.
25 Mr. Philp, during that lunch break, did you have any

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1 substantive conversations about this investigation with
2 SEC staff?

3 A No, sir.

4 Q Okay.

5 Let me re-show you what we were looking at
6 before the break. This is Exhibit 108, and correct me
7 if I'm wrong, the e-mail contains some text from
8 Mr. Livingston; correct?

9 A Correct.

10 Q And then there's a draft presentation that you
11 had prepared; is that right?

12 A Correct.

13 Q Okay. Looking at the text of Mr. Livingston's
14 for a little while longer, we had talked, before the
15 break, about a description of the value proposition to
16 investors that Mr. Livingston described on 17483. Do
17 you remember that?

18 A Yes.

19 Q Okay. I just wanted to be clear: The value
20 proposition being described here, you know, it -- you
21 don't know whether that was the value proposition being
22 sought by some number of purchasers of Kin or not?

23 A Correct.

24 Q Okay. And then the ultimate sale of Kin was
25 divided. First there was a private sale and then a

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1 subsequent public sale?

2 A Correct.

3 Q Is that right? Okay. Could the value
4 proposition being offered here, regardless of how many
5 people wanted it, apply to both purchasers in the
6 private sale and public sale?

7 A The value proposition -- which value
8 proposition are you describing? Sorry.

9 Q The value proposition being described by
10 Mr. Livingston.

11 A Oh, in bullet point one?

12 Q Right.

13 A It could apply to participants in either the
14 presale or the public sale.

15 Q Okay.

16 In the public sale, did Kik do anything to
17 weed out or avoid attracting investors who might be
18 attracted to the value proposition described by
19 Mr. Livingston?

20 A All of the marketing communications for the
21 public sale was very specifically about the business
22 model that Kin provided for developers and consumers.
23 That is the premise of all the communications, both in
24 the marketing and any external communications.

25 And during the public sale, there was a

1 registration process. In the registration process,
2 there was not a box to check off or a field to say why
3 you were purchasing; however, all of the communications
4 leading up to the public sale was centered around the
5 value proposition of this new business model for
6 developers and consumers.

7 **Q Got it. Okay. But just on the weeding out**
8 **point, if I was attracted to Kin because of its**
9 **potential as an investment and the possibility that I**
10 **would make a return, there would be no way for Kik to**
11 **identify me and weed me out of the public sale?**

12 A Correct.

13 **Q Okay. Okay.**

14 Was this -- this value proposition we
15 discussed before the break didn't appear in the white
16 paper; correct?

17 A Correct.

18 **Q Did it appear in any social media content**
19 **prior to the public sale?**

20 A Not that I'm aware of.

21 **Q Any -- did Ted ever mention it -- I apologize,**
22 **did Mr. Livingston ever mention it in any social media**
23 **appearances or in communications to potential**
24 **purchasers?**

25 A Not that I'm aware of.

1 **Q Okay.**

2 Let me turn -- so if I can point you,
3 subsequently, to this e-mail chain on page 17484.
4 Correct me if I'm wrong, there's a part that says: So
5 how do we get this launched? I see three streams.

6 And then they continue. Is this still
7 Mr. Livingston?

8 A I believe so, yes.

9 **Q Okay. Okay.**

10 We need to market it, is the first one, and
11 we're going to turn to that in a minute. The second one
12 is, We need to create demand for it. At a high level,
13 how was that done?

14 A Which, sorry? Marketing or demand?

15 **Q Excellent question. Demand.**

16 A In terms of creating demand for that, that
17 would be creating product within Kik where users would
18 want to buy Kin to use Kin as well as creating, as I
19 mentioned before, these types of lighthouse experiences
20 which would spur innovation from other developers as
21 well.

22 MR. MITCHELL: What would make -- sorry, I'm
23 just trying to -- the term "lighthouse" you used. What
24 would make something a lighthouse experience?

25 THE WITNESS: Sorry. A lighthouse experience

1 would demonstrate to other developers that there is user
2 adoption, that there is an opportunity to come and build
3 around this product.

4 BY MR. LEASURE:

5 **Q At the end of this chain, on page 17485, it**
6 **looks -- correct me if I'm wrong -- that Mr. Livingston**
7 **has some proposals for each of these. Do you -- each of**
8 **those three streams. Do you see that?**

9 A I do.

10 **Q So he proposes the following. Under Demand**
11 **Generation, he writes: I think we pause on this. We**
12 **have enough ideas to create a compelling white paper**
13 **which is all we need at this stage.**

14 If the ICO is successful, parens, meaning we
15 raise more than 20 million, end parens, then we can
16 start creating on working, testing, and scaling
17 demand-generating feature through the new short and long
18 product process.

19 Did you see that?

20 A I do.

21 **Q Did -- in the event, did Kik actually pause on**
22 **demand generation until after the IC -- until after the**
23 **token event?**

24 A No, Kik did not pause on this until after the
25 token event.

1 **Q So prior to the public sale, if I can call it**
2 **that, what did Kik do on -- as to demand generation?**

3 A Kik implemented a product in the Kik Messenger
4 where users could use Kin, linking their wallet to
5 attain status and premium content, which was understood
6 to be an important component of this chat community, and
7 that product was live at the time of the token sale.

8 **Q Sticker packs?**

9 A Sticker packs.

10 **Q Okay. And we'll turn to that --**

11 A Yep.

12 **Q -- later on. Was there anything else, prior**
13 **to the token event, that was done as to demand**
14 **generation?**

15 A Those were the products that were live at the
16 time of the token event. There were discussions of what
17 other products could be built in the future.

18 Referencing this short and long product
19 process, I can unpack that a little bit, too.

20 **Q Yeah.**

21 A So the short and long product process is
22 something that is implemented at Kik, but also a lot of
23 other consumer tech companies, where you launch an
24 initial product to get initial amount of users using
25 that, seeing what types of user behaviors emerge, and

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1 then feeding that into what's called the long product
2 process, so then iterating in a longer time format and
3 also building and evolving the product.

4 So this was a product process that was
5 consistent with other products that had been built at
6 Kik in the past as well as some other consumer tech
7 companies, and that's why it was referenced here.

8 **Q Okay. And that work has gone on since the**
9 **public sale?**

10 A Correct.

11 **Q Is that one of the focuses of Kik -- Kin --**
12 **I'm sorry.**

13 **Is that one of the focuses of Kik's current**
14 **efforts as it relates to the Kin project: Demand**
15 **generation?**

16 A Correct.

17 **Q Okay.**

18 **Let me turn to the PowerPoint.**

19 A Yep.

20 **Q Is this a draft that you prepared?**

21 A Yes.

22 **Q I'm sorry, and I'm frowning because I've**
23 **forgotten the name of the format of the meeting.**

24 A It's called Sit Down.

25 **Q Sit Down. And there --**

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1 **Q Okay. But anyway, it was important to explain**
2 **to people at Kik that this transition was happening?**

3 A Yes.

4 **Q Okay.**

5 **Let me point you to a few spots in this**
6 **PowerPoint. If I could point you -- I don't think it**
7 **has numbers for the slides themselves, but 17492 that**
8 **begins with Validating the Opportunity?**

9 A Yep.

10 **Q Okay. This describes what experts in the**
11 **space said, and it goes on from there. Is this CoinFund**
12 **that's being referred to here?**

13 A Yes, I believe so.

14 **Q There were no other experts at the time?**

15 A Correct.

16 **Q Okay. And so I take it -- is it right to say**
17 **that at the time people thought that the CoinFund**
18 **feedback was -- well, was positive on the potential of**
19 **this project?**

20 A Yes.

21 **Q Okay.**

22 **If I could turn you to 17494, and the**
23 **subsequent slides. 17494 has three questions: What is**
24 **a cryptocurrency? Why would investors invest? And what**
25 **does this do for us?**

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1 A It actually --

2 **Q -- wasn't -- go ahead.**

3 A I was going to say, so you know why it's
4 called Sit Down, it used to be Stand Up, which is very
5 familiar to a lot of companies. The meetings got so
6 long that we called it Sit Down so people could sit
7 down.

8 **Q Oh, it was kind of a -- okay. Got it.**

9 A Yeah.

10 **Q And did this Sit Down actually happen?**

11 A Yes.

12 **Q Okay. What do you remember about it?**

13 A I remember that Ted delivered this
14 presentation to the company to introduce the Kin project
15 and why this was where the company was dedicating
16 efforts moving forward that year.

17 **Q I would assume, as an outsider to Kik, that**
18 **that's a reasonably important meeting, introducing the**
19 **entire staff of the company to this new project?**

20 A Correct.

21 **Q Okay. How would you characterize the reaction**
22 **of Kik employees over time to this new project?**

23 A Positive.

24 **Q Okay.**

25 A People were excited.

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1 A Yep.

2 **Q Okay. Do you remember, at this Sit Down, a**
3 **description of what a cryptocurrency is for people at**
4 **Kik?**

5 A Yes.

6 **Q Tell me about that.**

7 A Ted spoke to the company about and gave a
8 broad overview of cryptocurrency, gave reference to his
9 involvement in cryptocurrency prior to that -- the
10 meeting at USV, Union Square Ventures, that I referenced
11 earlier; I think it was 2011 or 212 -- and broadly
12 talked about the applications of cryptocurrency and drew
13 some analogies to make it a little bit more concrete for
14 those that were unfamiliar with the blockchain, for
15 example.

16 **Q What were the applications? I think you said**
17 **applications he pointed to? Use cases?**

18 A Oh, what -- I was talking about he talked
19 broadly about cryptocurrency and some of the problems
20 that it solved for.

21 For example, centralization and --

22 **Q Understood. I misunderstood you. Thank you.**

23 **Item 2, if I -- it's on page 17497: Why would**
24 **investors invest? Is this slide, and then the notes**
25 **beneath it, generally what was discussed at this Sit**

1 Down?

2 A Yes.

3 Q And this is similar to the value proposition,
4 correct me if I'm wrong, that we've been spending some
5 time looking at in the attaching e-mail; correct?

6 A Correct.

7 Q That is, investors invest in this because we
8 sell off a block of the currency at the ICO and demand
9 increases, and as transaction volume increases, so does
10 the value of the coin?

11 A Correct.

12 Q That's the value proposition we looked at, and
13 I take it the other part of that, that's written here,
14 is there's a fixed supply of coins?

15 A Correct.

16 Q Okay. Okay.

17 Just curious, what's the -- the text here in
18 the notes refers to a Dominos pizza example. Do you
19 remember what that was?

20 A Yeah. So there was the example of someone,
21 early on, who, I think, spent 10,000 Bitcoin on two
22 Dominos pizza.

23 Q Right.

24 A And was used as a voiceover example of the
25 growth in the value of a fixed-supply currency, which is

1 top of that why would people actually participate in
2 this. And again, I think -- I was going back before --
3 we used the term "investor" very loosely at this time
4 looking at people that would participate in a token sale
5 as that catch-all bucket.

6 So why would people participate in this token
7 sale, and then what does this do for us, so these three,
8 and qualifying why people -- not only what is a
9 cryptocurrency, but why would people actually
10 participate in this, and giving context to the company
11 on that.

12 Q And so the slide on the page that ends in 497,
13 that's the answer -- that was your answer then about why
14 people would participate?

15 A People would participate -- and this kind of
16 alludes to the idea of a developer being part of the
17 demand generation.

18 You see here: Demand increases, value of the
19 coin increases. And that was the key takeaway. The key
20 takeaway being that as demands for this currency
21 increases, the value of coin continues to increase,
22 which lends itself to the dialogue that was part of even
23 the marketing communications about developers working
24 together and consumers working together to grow demand
25 for this currency with a finite supply.

1 like the example that everyone kind of points to in the
2 Bitcoin of the appreciation in value of an individual
3 Bitcoin.

4 Q Right.

5 BY MR. MITCHELL:

6 Q That, years ago, it took you 10,000 to get a
7 pizza --

8 A Yeah.

9 Q -- and now you can get a lot of pizzas for
10 one?

11 A Exactly.

12 MR. LEASURE: I think I'm done with that
13 document.

14 THE WITNESS: Okay.

15 MR. MITCHELL: Can I just?

16 MR. LEASURE: Go ahead.

17 BY MR. MITCHELL:

18 Q Why is this slide in the presentation?

19 A Why is this slide in the presentation? It was
20 part of the outline to -- so there's a three-point -- I
21 believe it was -- what was it? What is cryptocurrency?
22 Why would people participate? And what does this do for
23 us?

24 So first was giving context on, like, what a
25 cryptocurrency is to the company, but then building on

1 Q Okay. Sorry, and -- but that -- this slide is
2 -- that -- I guess I'm not sure I understand. What do
3 you mean by "the developers"? That's just -- that's
4 talking about how demand would increase?

5 A Yes.

6 Q Okay. So --

7 A So in here, it's introducing how, like,
8 growing demand increases the value of the coin. That's
9 the two sub-bullet points here.

10 Q Yeah.

11 A And then there was subsequent dialogue about,
12 okay, how does demand get -- how does demand increase?
13 And that's some of the voiceover.

14 Q Right. But the reason -- the question of why
15 would people participate, the answer is that there's a
16 fixed supply of coins; if demand increases, then the
17 value of a coin increases?

18 A That is how the value of the token increases,
19 and people would participate in the sale. They may be
20 contributing to growing the demand themselves. For
21 example, a developer.

22 MR. SCHLEGELMILCH: But the specific example
23 given here, the anecdote is the poor sap that bought
24 pizzas with 10,000 Bitcoin and now that has, you know,
25 gone up by multiple, like, thousands of percent in value

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1 in a decade; right?

2 THE WITNESS: Right.

3 MR. MITCHELL: Okay.

4 BY MR. LEASURE:

5 **Q I'll take that back. Thank you.**

6 **I think you may have referenced this already,**
 7 **after CoinFund provided the research deliverable we**
 8 **looked at in mid to late March, Kik had additional**
 9 **questions?**

10 A Yes.

11 **Q Tell me about those.**

12 A There were some additional questions around
 13 some of the key variables that should be considered if
 14 things were going to move forward.

15 So the first deliverable was very much about
 16 market qualification, and there were some additional
 17 questions that would serve as qualifiers, but also some
 18 questions as to what next steps would look like in areas
 19 that should be considered moving forward.

20 **Q And tell me about those.**

21 A Some of those were some of the risk areas:
 22 Identifying where the company should be evaluating who
 23 are some of the key external stakeholders that should
 24 been aware of. For example, different regulatory bodies
 25 that are looking at the space and how they're looking at

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1 the space, and there were some additional questions, I
 2 believe, just about market qualification.

3 **Q Whether the market would like a potential**
 4 **token offering?**

5 A I believe so.

6 **Q Okay.**

7 **Did any question -- before the lunch break, we**
 8 **talked about the initial survey and the analysis by**
 9 **CoinFund. Did Kik ask for any additional surveys to be**
 10 **run by CoinFund?**

11 A I don't believe so.

12 **Q Okay. Did they question the methodology --**

13 A I don't believe so.

14 **Q -- used by CoinFund? I apologize.**

15 A Right. I don't believe so.

16 **Q Fine.**

17 **Did they ask for more analysis about the**
 18 **motivations of potential purchasers? That is, whether**
 19 **they're buying to make a profit versus to use it?**

20 A I don't believe so.

21 **Q Okay.**

22 **Let me show you what I think are those**
 23 **additional questions and the answers. This is a copy of**
 24 **a document that has previously been marked as Exhibit**
 25 **40.**

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1 A Thank you.

2 **Q As always, take your time and let me know when**
 3 **you're ready. I'll identify Exhibit 40 as a multipage**
 4 **document beginning in Bates stamp CoinFund 7597. It has**
 5 **the title Additional Research Kik Interactive, Inc.,**
 6 **April 3rd, 2017.**

7 **And I'm going to point you to points in this**
 8 **document. Obviously, take the time you need. My first**
 9 **question's going to be what is this document.**

10 A This document is supplemental research based
 11 on questions that the company asked of CoinFund
 12 subsequent to their initial deliverable.

13 **Q Okay.**

14 **And so this reflects Coin -- both Kik's**
 15 **questions and CoinFund's answers?**

16 A Yes.

17 **Q Okay. Did you review this after it came in?**

18 A Yes.

19 **Q And did people -- similar to the first**
 20 **iteration from CoinFund, did people at Kik discuss and**
 21 **analyze CoinFund's responses?**

22 A Yes.

23 **Q And would you -- page 2, on 7598, has 3/23**
 24 **Questions from Peter.**

25 A Yep.

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1 **Q Is that Peter Heinke?**

2 A Correct.

3 **Q Okay. And do you see where he asks: What is**
 4 **the structure of the economy and mapping of all**
 5 **stakeholders, both primary and secondary?**

6 A Yes.

7 **Q Okay. He -- there's a diagram included in**
 8 **there. I -- on this page for Kin Token Sale**
 9 **Participants. There's Kik Interactive, a Private**
 10 **Investor, and Crypto Investors, and between them is a**
 11 **Token Sale Contract. Do you see that diagram?**

12 A Yes.

13 **Q Is this a rough sketch of actually what**
 14 **happened in the event with Kin?**

15 A No.

16 **Q How is it not?**

17 A I would say it is not just based on the
 18 nomenclature of "crypto investor" and "private investor"
 19 in terms of also the distribution of the smart contract
 20 issued 10 trillion Kin and divided that into two
 21 wallets, I believe.

22 One was Kik Interactive wallet, which 10
 23 percent was then sold, and then 60 percent was allocated
 24 to the Kin Foundation. So this here does not have the
 25 Kin Foundation wallet actually in this diagram.

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1 Q Got it. So this presupposes that whatever Kin
2 didn't go to -- nomenclature aside -- private investors
3 or crypto investors, it would all go to Kik?

4 A Right.

5 Q And that's not the case?

6 A Correct.

7 Q Okay. And then -- so we've already discussed
8 nomenclature and crypto investor and private investor.
9 Is there something off about this diagram in terms of
10 what actually happened as to the relationship between
11 the public and private purchasers? Kik Interactive?

12 I want to see if it's just a nomenclature
13 issue or if there's something incorrect about how
14 they're displayed here.

15 A Sorry, give me a second. I'm just reviewing
16 this diagram, please.

17 Q Yeah, take your time.

18 A I'm sorry, do you mind just repeating your
19 question?

20 Q Yeah. Again, I think you had identified a
21 nomenclature concern --

22 A Right.

23 Q -- which --

24 A Yep.

25 Q -- we've already discussed. I'm trying to

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1 understand that in the final event of the Kin private
2 and public sales, how does this, if at all, sort of not
3 accurately describe how private purchasers and public
4 purchasers participated?

5 A So to the best of my knowledge -- and I did
6 not write the smart contracts -- the tokens were created
7 by the smart contract, issued 60 percent on a vesting
8 schedule to the Kin Foundation, which we identified was
9 not in this diagram --

10 Q Right.

11 A -- but also that the 40 percent was issued to
12 Kik and then subsequently sold to the participants.

13 And this has the token sale contract without
14 the smart contract that actually initially developed the
15 tokens. If that makes sense.

16 Q It does.

17 A So this is missing the actual generation of
18 the tokens. If that makes sense. This is the token
19 sale.

20 Q Yep. That does make sense. Okay.

21 CoinFund goes on -- and I don't want to spend
22 too much time on nomenclature.

23 A Yep.

24 Q I think we have already. On the next page,
25 7599, it identifies, quote: Crypto investors include

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1 regular participants of token sales as well as Kik users
2 who are participating in the sale by way of
3 cryptocurrency.

4 A Correct.

5 Q It goes on from there.

6 In terms of people who purchased in the public
7 sale, sitting here today, do you think that's an
8 accurate description of who bought Kin?

9 A I believe that's -- it represents some of the
10 purchasers. We know, I believe, approximately 18
11 percent of the participants of the token sale had a Kik
12 account, because they linked their Kin wallet to their
13 Kik account. So this would represent some of those, but
14 the public sale is not necessarily exclusively Kik
15 participants -- or Kik users.

16 Q You anticipated my next question then. So did
17 I understand you right that of the participants in the
18 public sale, only 18 percent had a Kik Messenger app --
19 messaging app account?

20 A There could have been more, but we know for
21 sure that 18 percent did.

22 Q Others could have, beyond the 18 percent, but
23 they didn't identify their Kik handle?

24 A Correct.

25 Q Okay.

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1 BY MR. MITCHELL:

2 Q Sorry, just to do the math, is it 18 percent
3 of the approximately 10,000?

4 A Correct.

5 Q So you're not -- it's not a percentage based
6 on where you weight by the -- how much Kin they bought?

7 A Correct.

8 BY MR. SCHLEGELMILCH:

9 Q I think Brent just anticipated my next
10 question. Do you know the different amounts that the
11 Kik use -- the pre-existing Kik users purchased compared
12 to the other 7 -- not 72 -- 82 percent?

13 A I do not know. I believe that data exists,
14 but I don't know offhand.

15 Q Okay. Thank you.

16 BY MR. LEASURE:

17 Q The second-to-last paragraph on this page,
18 7599, reads: Users will be able to redeem KT for
19 Bitcoin or fiat value on cryptocurrency exchanges.
20 Similarly, Kik Interactive, as well as investors and
21 crypto market speculators, obtain KT liquidity on
22 cryptocurrency exchanges.

23 Did you see that?

24 A Yep.

25 Q Okay. So what role -- we're going to talk

Page 194

1 **more specifically about exchanges later on, but what**
 2 **role did exchanges play in the vision for how a Kin**
 3 **ecosystem would work?**

4 A So exchanges are an important component for
 5 people to get in and out of the ecosystem. If you are
 6 not a sale participant at the outset, if you want to
 7 participate in the Kin ecosystem, you need to buy it
 8 somewhere if you're not earning it.

9 For example, in an application, which would be
 10 another option. So that would be important for getting
 11 in and out of the ecosystem.

12 Was not a key focus at the time of the token
 13 sale because there was an effort to have as broad a
 14 participation in the token sale as possible, such that
 15 if you registered your -- you had a 24-hour window to
 16 actually participate.

17 **Q And so why would not focusing on exchanges**
 18 **broaden the participation base?**

19 A Those are not directly -- I would say that
 20 there was an effort in the token sale to have it as
 21 broad a participation as possible, and there was not an
 22 immediate focus on exchanges immediately after the sale,
 23 given that there was an opportunity for everyone to
 24 participate at the token sale.

25 BY MR. MITCHELL:

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1 A There --

2 **Q -- or just exchanges?**

3 A There were not outbound efforts to talk to
 4 exchanges.

5 **Q Why not?**

6 A Because there was an effort put on the token
 7 sale, the public sale, to allow anyone to participate if
 8 they went through the registration process and felt that
 9 that was a broad participation base.

10 **Q Okay.**

11 **Oh, sorry, would there -- how -- was there,**
 12 **subsequent to the sale, an effort?**

13 A There have been subsequent conversations with
 14 exchanges.

15 The other aspect were there -- anyone could
 16 implement the token. Given that it's an ERC-20 token,
 17 some exchanges can adopt it if they please, and at the
 18 time of the token sale, there were some smaller
 19 exchanges that had listed Kin so there was still an
 20 opportunity for someone to buy Kin subsequent to the
 21 sale if they wanted to participate in the Kin ecosystem.

22 And there was not an effort to go and directly
 23 market to exchanges given that there were some
 24 opportunities for people to buy subsequent to the sale.

25 BY MR. LEASURE:

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1 **Q What do you mean "immediately"?**

2 A I mean that at the time of the token sale,
 3 there were not direct efforts to go and connect with
 4 exchanges or do any type of business development
 5 efforts, which had been seen in other token projects.

6 **Q So you think that if there had been, like,**
 7 **efforts to contact exchanges at the time of the sale,**
 8 **that would have been -- I don't know, that would have**
 9 **changed the way you see the sale?**

10 A I don't think it would change the way we see
 11 the sale. It just requires operational effort to go out
 12 and talk to exchanges.

13 **Q Oh, and so at the time of the sale, Kik had to**
 14 **put its operational efforts on the things that really**
 15 **mattered?**

16 A The efforts were -- so the token sale was
 17 structured in a way to have as broad a participation as
 18 possible and allow anyone who registered and completed
 19 the KYC process to participate in the sale, and the
 20 efforts were around building product and continuing to
 21 work with other developers.

22 **Q Yeah. I'm sorry, I guess I just don't**
 23 **understand. Were there -- there were not any efforts**
 24 **around the time of the sale to communicate with**
 25 **secondary exchanges --**

Page 197

1 **Q Let me point you to the next page, 7600. This**
 2 **is a discussion of regulatory bodies.**

3 A Yep.

4 **Q Do you see on Item 2 they point to the SEC?**

5 A Yep.

6 **Q Okay. Was this the first discussion -- again,**
 7 **I want to caution you again about conversations you had**
 8 **with Kik's counsel.**

9 **Was this the first discussion you were aware**
 10 **of of potential SEC regulatory compliance issues with**
 11 **the token offering?**

12 A No.

13 **Q You had heard about it prior?**

14 A Yes.

15 **Q Okay.**

16 **Did Kik ask CoinFund for their opinions on**
 17 **this space?**

18 A The majority of discussions around these
 19 regulatory bodies was driven by our attorneys.

20 **Q Okay. And again, I can't caution you enough,**
 21 **I don't want to hear about the content of those. Would**
 22 **you agree that throughout the process of preparing the**
 23 **Kin token offering, you were aware of potential**
 24 **regulatory concerns in this space?**

25 A Yes.

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1 Q Okay.

2 BY MR. MITCHELL:

3 Q By this time -- by the time of this document,
4 Exhibit 40, were you aware of the Howey Test that's
5 mentioned there?

6 A Yes.

7 Q Were you aware that the Howey Test is used to
8 determine if the sale of a token could constitute an
9 investment contract?

10 A Yes.

11 BY MR. LEASURE:

12 Q And we've been -- the past couple questions
13 have been "you," Tanner Philp, an awareness of the SEC
14 and the Howey Test. Would you say your awareness was
15 similarly shared by other -- by management at Kik?

16 A Yes.

17 Q This wasn't something that only you were aware
18 of and other people weren't aware of?

19 A No.

20 Q Okay.

21 Let me point you to 7612, changing gears a
22 bit. This says Crypto Survey Feedback. That section,
23 do you see that?

24 A Yes.

25 Q Okay. I guess, first, would you agree that,

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1 at least in this document -- these questions, and this
2 answer -- that Kik didn't question CoinFund's
3 methodology for its survey?

4 A Sorry, let me understand what you're reading.

5 Q Yeah, of course. Take your time.

6 A And, sorry, do you mind repeating your
7 question?

8 Q Yeah, and it wasn't a good, one so let me ask
9 it again.

10 I think we asked -- I asked this earlier, but
11 to be clear: Did Kik ever push back on CoinFund or
12 question the methodology that CoinFund used for its
13 survey?

14 A Not that I'm aware of.

15 Q Okay. So the questions that we do see here,
16 I'll start with the first one. The first one is some
17 concerns about -- let me repeat that.

18 Some concerns around understanding how \$1,000
19 to \$5,000 investments will be able to provide meaningful
20 funding levels and strong investors over time.

21 Do you remember concerns about that?

22 A I recall, in the discussions about the
23 structure of the sale, that was still relatively nascent
24 in looking at how to structure the sale to allow for
25 broad participation. So I think there were some

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1 concerns as to how to actually operationalize a broad
2 set of participation in the thousands or tens of
3 thousands of people participating in a sale.

4 And given this line of questioning here, it
5 appears there was some concern around whether those
6 smaller participation amounts would contribute something
7 meaningful.

8 That being said, subsequent to some of this
9 document, which is back in March, there was significant
10 effort put towards the sale of actually not having, for
11 example, a minimum, which had been seen in other sales
12 where people have a minimum amount, and also having a
13 24-hour period where everyone was capped.

14 So there were some initial concerns here, it
15 looks like, but it evolved over time.

16 Q And the -- what you were describing, not
17 putting in a minimum and the like, was designed to
18 maximize participation even regardless of how small the
19 dollar values were?

20 A There -- yeah. There was two components. One
21 was having a pre-registration process, and if you
22 registered and actually completed the registration
23 process and passed the KYC, you would be guaranteed 24
24 hours to be able to participate in the sale.

25 And also not having a minimum, so if someone

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1 wanted to buy one Kin, they could do so.

2 Q Right. This may be fleshed out in later
3 documents we'll look on, but as an outsider to Kik, I
4 could see some tension between two goals there. And let
5 me just explain the tension I see.

6 On the one hand, obviously you want to have,
7 as this document says, meaningful funding levels; right?
8 You're raising funding for a project.

9 And on the other hand, you want, for the
10 vision of the ecosystem, a lot of small shareholders --
11 shareholders -- people -- participants in the ecosystem.
12 In other words, there's some tension between just
13 getting large-dollar purchasers versus getting a
14 smaller-dollar but larger set of people.

15 Was that a tension that you identified over
16 the process of the Kin project?

17 A So there are inherent trade-offs, as you
18 identified there. Other token sales in the past had
19 structured it that here is the hard cap. First people
20 that get in, no matter how large amount you contribute,
21 you get that amount, and you -- so a strong example of
22 that was actually discussed internally was the Brave
23 token sale, Basic Attention Token, which I believe had
24 136 total participants where basically a few people that
25 are very familiar with token sales were able to buy up

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1 all of the tokens, and people that wanted to participate
2 were unable to do so. That obviously accomplished their
3 goal that they had stated of basically selling the
4 tokens as quickly as possible.

5 The intention of Kin was to have as broad a
6 participation as possible, so setting a 24-hour period
7 where people were capped obviously understood that
8 people that wanted to contribute more than the cap,
9 which I believe ended up being 4,300-and-something over
10 the first 24 hours, would potentially drive some people
11 away, but it guaranteed a larger base of participation.

12 And that was something that the company
13 decided to do because it valued broad participation over
14 the amount of Ether that was raised in the public sale.

15 **Q So you think the company did take steps to**
16 **avoid other examples in the space that you didn't like**
17 **of just large fundraising from small amounts of people?**

18 A Correct.

19 **Q Okay. On the other hand, just to -- we'll**
20 **walk through this later, but the company also -- I mean,**
21 **the public sale also -- ultimately, people could invest**
22 **significant dollar amounts after the initial 24-hour**
23 **period; correct?**

24 A Correct.

25 **Q And so some private sale -- I think some**

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1 cohort of people that looked at this size, given that I
2 think the average, if you took the average of -- because
3 it was 10,500, 55 million, so about 5,000, give or take,
4 was the average based on that survey data, so I believe
5 likely it was just drawing on that data to see.

6 **Q If -- so in the ultimate public sale that**
7 **happened, if we were to draw a distribution curve of the**
8 **dollar amount value of purchases made, would it be a**
9 **bell curve? Would it be that type of distribution? Or**
10 **were there peaks and valleys in the distribution?**

11 A I don't recall --

12 **Q Don't know either way?**

13 A -- the shape of the curve.

14 **Q Okay. Fair enough.**

15 **If I can point you just to one or two other**
16 **things. On 7613, there's a -- towards the middle of the**
17 **page, there's Related Considerations. Do you see that?**

18 A Yes.

19 **Q And I take it this is CoinFund writing what**
20 **follows from that. Is that your sense of it?**

21 A Yes.

22 **Q Okay.**

23 **One is Speculation: Speculative investors are**
24 **a fact of life of unregulated crypto markets and can**
25 **have both positive, parens, e.g., adding liquidity, end**

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1 **public sale investors invested up to a million or more**
2 **dollars worth of Ether; correct?**

3 A Correct.

4 **Q Okay. Okay.**

5 **The next question is: Do you guys have any**
6 **other insights into the investor groups that make up the**
7 **category of \$5,000 to \$50,000 US?**

8 **Is this question from Peter or somebody else?**
9 **Do you know?**

10 A I know I worked with Peter on some of the
11 questions that were sent to CoinFund. Some were from
12 me, some were from Peter, some were ones that I
13 collected from others and then sent to Peter to
14 consolidate.

15 So a lot of this document -- I mean, it says
16 at the top "Questions from Peter," but it was an
17 aggregate of other questions.

18 **Q That's fine.**

19 A I don't recall who asked this question.

20 **Q I'm trying to understand. Was this dollar**
21 **amount of purchase at a sweet spot or a target for the**
22 **Kin project?**

23 A I don't recall if this was a, quote unquote,
24 sweet spot. The -- and I don't have the document in
25 front of me, but the survey data may have had a large

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1 **parens, and negative, parens, e.g., price shocks, end**
2 **parens, impacts on markets.**

3 **Do you think that's an accurate description of**
4 **the state of crypto markets in 2017?**

5 A I do believe this is -- there is a cohort of
6 people that speculate on cryptocurrencies, for sure, and
7 it's something that we were aware of as well and
8 understand that when you have an open system where
9 people can buy in a decentralized currency, anyone,
10 regardless of their motivations, can participate in a
11 token economy.

12 That being said, if a token is only held by
13 speculators, it is very difficult for that economy to
14 actually grow and thrive because, one, not a lot of
15 people will be using it if they're all just speculating
16 on it and does not actually drive kind of the vision of
17 how a lot of these token economies are being developed.

18 **Q So would you agree then that a speculator in**
19 **this space in 2017 would likely be planning for more**
20 **short-term positions in a particular crypto asset?**

21 A Potentially, yes.

22 **Q And it might not be wise to hold on for the**
23 **long-term if the ecosystem doesn't develop?**

24 A I would -- I wouldn't speculate on the wisdom
25 around that.

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1 Q Okay.

2 A But I think there are some people that
3 you've -- I mean, everyone is -- was acutely aware of
4 the fact that some people are buying and then selling
5 very quickly.

6 I referenced the Basic Attention Token. There
7 was a lot of -- because everything is public, you saw
8 that a lot of people that bought in that sell
9 immediately sold the next day to people that tried to
10 get into the sale. So those are areas where there is
11 some speculation.

12 Q And do I understand your testimony right that
13 Kin was marketed and structured in such a way as to
14 minimize the role of speculators?

15 A Yes.

16 Q And sitting here today, are you able to say
17 whether it was successful or not in its efforts to
18 minimize the role of speculators?

19 A I believe that the structure of this sale,
20 such that 10,000 people were able to participate,
21 minimized the impact that we've seen on centralized
22 control of the currency at the outset and token
23 flipping. I can't speak specifically to what all of Kin
24 token holders have been doing.

25 Q Right. Okay. So if I were to -- if a Kin

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1 Q Do you know whether that's true? Like,
2 whether CoinFund was right?

3 A I don't know.

4 Q Did you do -- do you know of any work that Kik
5 did to see if that was right?

6 A Not that I'm aware of.

7 Q Was there any other research done to
8 understand people putting in, say, above \$50,000, why
9 they're doing it?

10 A No.

11 Q And was there any consideration of actually
12 putting a cap -- a hard cap -- on -- you know, after --
13 even after the first day, no one can buy more than
14 X-amount of Kin or X-amount of dollars worth of Kin?

15 A Not that I'm aware of.

16 BY MR. LEASURE:

17 Q Just curious, was there discussion about doing
18 that?

19 A Not that I'm aware of.

20 Q Would you agree that if a token offerer really
21 wanted to prevent speculators coming into that token
22 offering, a hard maximum cap on the amount of tokens a
23 person can purchase could be effective in clamping down
24 on speculation?

25 A I would not say so.

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1 user were to ask you how did you guys act to protect
2 this ecosystem from speculators, and people like that,
3 in the markets, it sounds like you would say, look, we
4 don't look like the guys out there who sold to 32 users
5 in their coin offering; we sold to 10,000.

6 A Yes.

7 Q Is that right?

8 A Yes.

9 Q Okay. But would you also agree that you would
10 say, I, sitting here, can't speak to the motivations of
11 10,000 people. We didn't have any prohibition on
12 speculators buying into this?

13 A Correct.

14 Q Okay. Okay.

15 I think I'm done with this document.

16 MR. MITCHELL: Could I ask one more question?

17 Q There's a line in the document, on the page
18 that ends in 7613, where they say -- where CoinFund
19 writes: The above-\$50,000-investments are generally
20 from the profiles mentioned above where people have made
21 a lot of money in Bitcoin or Ethereum price appreciation
22 and are using that to diversify and build a portfolio of
23 investments in the blockchain ecosystem.

24 Do you see that?

25 A Yep.

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1 Q Why not?

2 A I don't think that it would be fair to assume
3 that anyone buys over a certain threshold is for sure
4 speculating on that.

5 There could be someone that is buying a large
6 amount because they're a developer or a user of a lot of
7 applications, more likely a developer. So I don't think
8 that that would be a fair assertion just to set a cap
9 and say that anyone who's buying over this is for sure
10 speculating.

11 Q I'll take that back.

12 So CoinFund gave an initial presentation. We
13 just saw some additional research they did. How would
14 you say Kik used, if at all, CoinFund's analysis?

15 A I believe CoinFund's analysis was used to
16 qualify the viability not just on the market, but also
17 on technology.

18 For example, they helped identify some other
19 variables that should be considered, made an
20 introduction, I believe, to Zeppelin, who ended up doing
21 the smart contract auditing. So they were helpful in
22 understanding some of the other variables that go into
23 this as well as potential participants in the presale.

24 Q Was CoinFund's analysis, whether the formal
25 analysis or a summary of it, presented to Kik's board,

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1 to your knowledge?

2 A I am not aware if it was or was not.

3 Q Okay.

4 Let's shift gears, if we could. There was a
5 white paper for the Kin token offering?

6 A Yes.

7 Q What was the purpose of that white paper?

8 A Purpose of the white paper was to outline the
9 vision for Kin, the validation of the business model
10 using some of the learnings from not just Kik, but also
11 the broad market dynamics of consumer applications, and
12 present something to the broad community of what the
13 vision for Kin is in a prose style such that someone
14 could read it and understand the vision and how the
15 token would operate.

16 Q Was one of the purposes of the white paper to
17 interest people in possibly purchasing Kin in the
18 subsequent offering?

19 A Yes.

20 Q Okay. And so is a -- was the white paper a
21 standard format for marketing efforts in this space at
22 that time?

23 A At the time, it was very common for a token to
24 have its own white paper.

25 Q Right. Who would you say was the target

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1 white paper such that it did resonate well with not just
2 people that are spending a lot of time thinking about
3 cryptocurrencies, but read well for people that were
4 relatively new to cryptocurrency as well.

5 BY MR. MITCHELL:

6 Q When you say -- I'm sorry, my -- do I
7 understand correctly that you're saying that the
8 audience was developers and app users?

9 A Developers and users of consumer applications.

10 Q Okay. So who -- I don't understand. Who's
11 "users of consumer applications"?

12 A People that are participating or using a lot
13 of the consumer apps that Kin would make a lot of sense
14 for. So these, like, community-based applications,
15 anything where there's peer-to-peer value transfer.

16 Q So that seems very broad.

17 A It is very broad.

18 Q All right. I mean, is it less than -- were --
19 is that less than sort of all the people who are using
20 apps on a smartphone today?

21 A It could encompass anyone who's using an app
22 on a smartphone.

23 The apps that the Kin token most lends itself
24 to are some of the applications that are more content or
25 peer-to-peer and community-driven. So I'd say it

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1 audience for the white paper?

2 A I'd say the target audience for the white
3 paper would largely be developers and consumers of
4 consumer applications.

5 Q We just saw CoinFund's analysis relating to
6 crypto enthusiasts and the other -- I'm not getting hung
7 up on nomenclature --

8 A Yeah.

9 Q -- but with what they call crypto investors.

10 A Yep.

11 Q Was the audience that CoinFund identified, in
12 whole or in part, part of the target audience for the
13 white paper?

14 A Part of the audience for the white paper would
15 have been other people that have -- are looking at
16 innovative crypto economic models and cryptocurrencies,
17 which could potentially fall outside of an app developer
18 or a consumer of an app.

19 Q Sure. Makes sense. Was there discussion
20 within Kik about who the target audience for the white
21 paper was?

22 A I believe there was a discussion around the
23 predominant audience being application developers and
24 users and working with CoinFund as well as the
25 management team and some others to put together the

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1 doesn't lend itself to applications that are, like, a
2 calculator or a clock --

3 Q Right.

4 A -- is what I'm saying. So there are a lot of
5 people that use smartphones and only use a banking app
6 and the clock and something else, and I don't think that
7 would be the target audience of the white paper.

8 Q But it would be people using things like
9 WhatsApp or Kik or Line or Kakao Talk or --

10 A Yeah.

11 Q -- anything like that?

12 A Yes.

13 BY MR. LEASURE:

14 Q Or Facebook?

15 A Potentially.

16 Q So, I mean, I haven't looked at the data, but
17 that is an incredibly -- would you agree that is a very
18 broad target audience then?

19 A Yes.

20 Q Who wrote the white paper?

21 A It was committed to prose by -- predominantly,
22 Jake from CoinFund was the one who had the final edit.
23 It was contributed on by a lot of management as well as
24 non-management employees of the company.

25 Q Who were the -- in terms of management, who

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1 **were the people who played the most active role in**
2 **drafting or reviewing the white paper?**

3 A Ted, Erin, Dany, Peter, Eran, Dave. You asked
4 about management specifically; right?

5 **Q Yeah, that's all --**

6 A Basically the whole management team.

7 **Q Okay.**

8 A I was going through and I realized I had
9 mentioned the whole management team.

10 **Q That's fine. This was a big deal?**

11 A Yes.

12 **Q Okay.**

13 **Was it divided -- I can show you the white**
14 **paper, but it's divided into different sections. Did --**
15 **was it broken down in terms of responsibility**
16 **section-by-section, or some other way?**

17 A Yeah. There was responsibility for certain
18 sections that people had. It all went to Jake for the
19 final edit though for consistency and prose.

20 **Q And the idea -- why was Jake the sort of final**
21 **editor or controller of the document, if I'm putting**
22 **that right?**

23 A He, for one, is a pretty talented writer.

24 **Q Good.**

25 A And you need a consistent voice through a full

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1 A That is where I spent more of my time on the
2 token sale and the actual structure around that.

3 **Q All right.**

4 **What did Mr. Livingston do in connection with**
5 **the white paper?**

6 A He was involved in every section, for sure.
7 Largely around the vision, product, as well as the
8 actual structure of the sale. So the allocation to
9 different stakeholders the 10, 30, and 60 percent, as
10 well as the Kin Rewards Engine was largely driven by
11 Ted.

12 **Q Okay.**

13 BY MR. MITCHELL:

14 **Q You mean the design of the Kin Rewards Engine**
15 **was driven by Ted? Or what do you mean it was "driven"**
16 **by Ted?**

17 A So really the vision for Kin in particular,
18 and Ted's kind of vision for all of this, was that
19 Bitcoin had the majority of the supply allocated to
20 miners who actually dedicate hash power to secure the
21 network, and that is the utility that led the drive to
22 the network.

23 However, another crypto economic model that
24 could exist was taking that majority of supply that was
25 allocated to essentially wasting electricity to secure

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1 document, and Jake had worked on white papers in the
2 past, so the combination of him being a good writer and
3 has delivered these in the past, he was selected as the
4 person to have the final edit.

5 **Q And he worked particularly on crypto white**
6 **papers; correct?**

7 A Correct.

8 **Q So his experience in the space also made him a**
9 **good candidate to be the final editor of this document?**

10 A That wasn't the main driver. You needed a
11 consistent voice and there was a lot of discussion, and
12 that's why a lot of the sections were driven by not
13 CoinFund employees, because, for example, on the product
14 side and some of the others, should have the voice of
15 someone who is in the consumer tech space.

16 **Q What did you do for the white paper?**

17 A I worked with Ted and Peter on a few of the
18 sections and I turned out a draft to pass along to Jake
19 for the final edit in a few of the sections.

20 **Q Any sections in particular?**

21 A I believe it was around the economics and the
22 structure of the sale were the two areas.

23 **Q Was that, sort of topic-wise, the focus of**
24 **your thinking and efforts during the buildup to the Kin**
25 **project?**

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1 the network to actual productive behavior, so actually
2 driving demand or transactions.

3 And that was Ted's real vision for Kin was
4 this currency that is underpinned -- or underpins this
5 decentralized ecosystem, but then the allocation of
6 those tokens being dedicated not to the network,
7 dedicating hash power to secure the network, but
8 actually to the applications that are driving use of the
9 token.

10 **Q Sounds good.**

11 BY MR. LEASURE:

12 **Q Talking about it like it's not here. Let me**
13 **show it to you. This is a copy of a document previously**
14 **marked -- make sure I've given you one --**

15 A Cool.

16 **Q -- Exhibit 2. Take a look, and let me know**
17 **when you're ready. I'll be pointing you to specific**
18 **parts.**

19 **This is a multipage document with the Bates**
20 **Number Kik 1.**

21 A Yep. I'm ready. I've read this a few times.

22 **Q I'm sure you have. Is this the Kik white**
23 **paper we've been discussing?**

24 A Correct.

25 **Q Okay. So it might help if -- eyeballing -- we**

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1 talked about who did what. Eyeballing the table of
2 contents that's on page 4, Kik 4.

3 A Yeah.

4 **Q Were there particular sections you worked on?**

5 A The Kin Token Issuance and the Kin Foundation
6 sections were two that I worked on.

7 **Q Got it. Okay. Okay.**

8 **Let me point you to the Motivation that begins**
9 **on page 2. It looks like a summary leading into the**
10 **document.**

11 A Yeah.

12 **Q Do you see this? Page 2 and 3 has a**
13 **Motivation section?**

14 A Yes.

15 **Q Take your time, if you need it, but is there**
16 **somewhere in here that would explain to people why they**
17 **would want to buy Kin?**

18 A I think all of this reads as why someone would
19 want to buy Kin.

20 **Q The entire thing describes why people would**
21 **want to buy Kin?**

22 A Yeah. I think on the first page, it's largely
23 -- talks -- second half of the first page, predominantly
24 talks about the monopolization and the advantages that
25 companies have right here.

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1 relationships between developers, creators, and
2 consumers with value and governance shared among the
3 participants. Such an ecosystem would offer consumers a
4 set of rich, diverse, and open digital services that put
5 user experience first.

6 I believe that that is a very strong statement
7 as to why someone would buy, not just because they're
8 going to get rich, diverse, and open digital services,
9 but also direct economic relationships between
10 developers, creators, and consumers, which kind of
11 addresses all of the stakeholders and talking about the
12 economic value that can be accreted by all three of
13 those.

14 **Q Okay. So you would point to that and say**
15 **people -- at least this pitch is you should buy Kin in**
16 **order to access and consume digital services?**

17 A Consume digital services, but also participate
18 in a diverse -- "rich and diverse" right here -- set of
19 digital services that is outside of just the monopolies
20 that were referenced on the first page.

21 **Q And do you know if most people bought Kin for**
22 **that purpose?**

23 A I believe that a lot did.

24 **Q Why do you believe that?**

25 A We've seen a lot of dialogue, even subsequent

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1 The second-to-last paragraph: Reliance on
2 advertising for digital media has resulted in advantages
3 for companies whose products reach a mass audience.

4 This is something that I do believe a lot of
5 people want to see disrupted. Ben Thompson, for
6 example, writes a lot about aggregation theory and the
7 impact on consumers that a few large monopolies have in
8 this type of a business model.

9 **Q So that's what I wanted to ask. I do see that**
10 **described in here --**

11 A Yep.

12 **Q -- that, you know, there are monopoly -- or**
13 **monopolizing companies out there. I take it Facebook is**
14 **one of them being referred to?**

15 A Mm-hm.

16 **Q Okay. Do you think people bought Kin in order**
17 **to check the corporate influences of companies like**
18 **Facebook?**

19 A I think there are some people that would --
20 really do believe in the disruption there, but I think
21 the other component that -- because if you look at that
22 in just a vacuum, then that's one argument.

23 But if you look at paragraph three on the
24 second page: People everywhere will be well-served by a
25 digital ecosystem that fosters direct economic

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1 to the sale, in Reddit on Telegram of people that are
2 very excited about the emergent properties of an
3 ecosystem like this and providing an opportunity to
4 other developers.

5 Even just a couple weeks ago, I spoke at an
6 event at University of Toronto, and it was to -- there
7 was a lot of app developers there that were going
8 through, like, an incubator program, and there were
9 three different people that at some point after my talk
10 when I was on my way to my car that mentioned that they
11 were developers, had purchased Kin in the token sale,
12 didn't know exactly what they were going to build, but
13 were really excited about this model.

14 **Q Okay. And have you also seen posts on social**
15 **media, Reddit and the like, where people have talked**
16 **about other motivations for buying Kin?**

17 A I've seen other people talk about, yeah, other
18 motivations.

19 **Q On social media, are there communities that**
20 **talk about Kin as a form of investment?**

21 A I've seen people use that term, yes.

22 **Q Okay. Do you know -- and sitting here today,**
23 **do you know -- are you able to discern from social media**
24 **posts which motivations predominate amongst Kin holders**
25 **today?**

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1 A I wouldn't be able to quantify it.

2 **Q Sure.**

3 A The -- I see more dialogue around the
4 innovative products that will be built than the
5 discussion of appreciation of the value of Kin.

6 **Q You see more posts about that?**

7 A Yes.

8 MR. LEASURE: Let's go off the record briefly.

9 THE VIDEOGRAPHER: This ends disk number two.
10 Going off the record. The time on the monitor is 3:21
11 and 35 seconds.

12 (A recess was taken from 3:21 p.m. to 3:32
13 p.m.)

14 THE VIDEOGRAPHER: This begins disk number
15 three. We are back on the record. The time on the
16 video monitor is 3:32 and 46 seconds.

17 BY MR. LEASURE:

18 **Q After a brief break. Mr. Philp, did you have**
19 **any substantive conversations about this investigation**
20 **with SEC staff during the break?**

21 A No.

22 **Q Okay.**

23 **I want to point you to a few lines in Exhibit**
24 **2, the white paper.**

25 A Yep.

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1 **Q I have some very basic questions. Page 5, Kik**
2 **5, under Kik's Vision, section one?**

3 A Yep.

4 **Q I'm just going to read a few sentences from**
5 **the last paragraph that begins: To foster an ecosystem**
6 **that is not only open and decentralized, but also more**
7 **compelling than its traditional counterpart, Kik must**
8 **create a series of new products, services, and systems.**

9 **What are those new products, services, and**
10 **systems?**

11 A The first product that was launched at the
12 time of the token sale was the ability to have status
13 within the chat community as well as premium content
14 that was only accessed by linking the Kik -- the Kin
15 wallet.

16 The other iteration to that was then being
17 able to buy and sell the stickers in a subsequent
18 iteration to that product.

19 There was a product introduced that was custom
20 chat themes that users could earn and spend. Kinit was
21 another app that was developed by Kik Interactive
22 employers. As we talked about before, that is
23 essentially a marketplace that other developers, as well
24 as advertisers and brands, can plug into that
25 marketplace and participate in.

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1 **Q So let me pause you right there. Is it then**
2 **true now, and was it true at the time, that to foster a**
3 **compelling ecosystem, Kik had to create a series of new**
4 **products, services, and systems?**

5 A I believe it was important for Kik -- and I'll
6 use the term lighthouse again, but it was something that
7 we had discussed before -- to get the flywheel going and
8 demonstrate user adoption as well as some initial
9 product use cases to seed some initial ideation for
10 other developers to come and build on top of that.

11 **Q Right.**

12 **Pointing you to the next section here, A New**
13 **Digital Currency?**

14 A Yep.

15 **Q Do you see that? I just want to read you the**
16 **last paragraph and confirm: But simply creating a**
17 **digital currency is not enough. For a cryptocurrency to**
18 **be viable, it must also be useful and valuable. To**
19 **establish an economy around the new currency, Kik must**
20 **help to establish Kin's fundamental value.**

21 **That last line -- to establish a new economy**
22 **around the new currency, Kik must help to establish**
23 **Kin's fundamental value -- is that true?**

24 A Yes.

25 **Q And is that still true?**

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1 A I would believe that Kik is contributing to
2 some of the fundamental value, but I believe there are
3 others also contributing to this.

4 **Q Okay. And those are third parties?**

5 A Third parties.

6 **Q Under Building Fundamental Value, the next**
7 **section, the last partial paragraph reads -- begins**
8 **with: Kik will build fundamental value for the new**
9 **currency by integrating Kin into its chat app.**

10 **Do you see that?**

11 A Yes.

12 **Q Was that true at the time?**

13 A Yes.

14 **Q And is Kik -- is Kin integrated into the Kik**
15 **chat app?**

16 A Yes.

17 **Q Currently today it's fully integrated?**

18 A Yes.

19 **Q Okay. When would you say Kin was fully**
20 **integrated into the Kik app?**

21 A I would say on day one there was a product
22 that anyone who had Kin could use it within Kik.

23 **Q And that's fully integrated to you?**

24 A Yes.

25 **Q Have there been subsequent iterations to give**

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1 more functionality to Kin within the Kik app?

2 A Yes.

3 Q So it was fully integrated when sticker packs
4 were accessible, and it's just gotten more uses since
5 then?

6 A Yes.

7 BY MR. SCHLEGELMILCH:

8 Q So it's your testimony that sticker packs were
9 accessible on day one. At -- what was sort of -- if day
10 one is when sticker packs are accessible, when is, like,
11 the next step? What was the next iteration? How far
12 after day one was sort of the next thing you could do
13 with Kin in the Kik app?

14 A So the next iteration, I believe, was at the
15 end of Q4 of 2017 where the first iteration of the
16 product was people linked their wallet and they got
17 status and then were granted stickers based on the
18 status that they had.

19 Towards the end of that year or that quarter,
20 Q4, there was the opportunity to then subsequently
21 purchase the stickers and there was earn and spend.

22 Q Okay. So when the app -- when the Kin were
23 launched, stickers were available on the basis -- not --
24 you didn't, like, by them with Kin; you were awarded
25 them based on how much Kin you had?

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1 A Correct.

2 Q But then at some later point, at the end of
3 Q4, you could make a transaction where you could
4 transact Kin for stickers?

5 A Correct.

6 Q Okay. Thank you.

7 BY MR. LEASURE:

8 Q Did Kik -- once the function of accessible
9 sticker packs was built within the Kin -- Kik app, did
10 Kik ever consider stopping its efforts on the Kin
11 project?

12 A No.

13 MR. SCHLEGELMILCH: Just -- could I ask one
14 more follow-up question?

15 Q At day the -- at day one, the day that Kin was
16 launched, was there anything that you could purchase
17 with Kin?

18 A Anyone could accept Kin as a purchase.
19 Outside of the Kik app, for example, there were
20 transactions that we started to see. I think a sunglass
21 company started offering sunglasses for Kin.

22 Q When?

23 A I don't recall specifically when the sunglass
24 company started accepting Kin, but it is a token that --

25 Q I'm sorry for interrupting. I appreciate all

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1 of this. My question is, like, zero hour, day one, Kin
2 is launched; it goes live. What can you -- what, if
3 anything, could you buy with Kin at that point?

4 A Outside of Kik, anyone could use this as a
5 medium of exchange.

6 Q Okay. Are you aware of anyone using it as a
7 medium of exchange at zero hour plus one second?

8 A I am not aware of a zero hour plus one second
9 of a Kin transaction that happened for a good.

10 Q Okay. And in the Kik app, you were not able
11 to transact anything for Kin; correct?

12 A You were able to get status, but there was no
13 spending of the Kin in the Kik app.

14 Q Thank you.

15 BY MR. MITCHELL:

16 Q Was the sunglasses the first transaction of
17 Kin for goods, that you're aware of?

18 A It was the first that was surfaced to me, so
19 that I'm aware of. I can't sit here and say it was the
20 first transaction that was made outside of Kik.

21 Q Did it happen in 2017?

22 A I do not recall when the first transaction of
23 the sunglasses happened.

24 BY MR. LEASURE:

25 Q Okay. Let me move you to page 8 of the white

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1 paper. That's Kik 8. The last sentence of the section
2 Purpose and Characterization reads: Like other
3 cryptocurrencies, units of Kin are fungible and
4 transferable and they will be expected to trade on
5 cryptocurrency exchanges.

6 Let me unpack one or two things there. What
7 is -- first, is this sentence accurate?

8 A Yes.

9 Q Okay. And then where it says "units of Kin
10 are fungible and transferable," what does that mean?

11 A It means that they're -- they can be exchanged
12 between users -- transferable -- and fungible would be
13 able to be sold for another currency, whether that's
14 another cryptocurrency or something on an exchange.

15 Q Right. So third parties outside of Kik's
16 purview could agree -- just make a contract amongst
17 themselves for an agreement to trade this for that?

18 A Yes.

19 Q Okay. Okay.

20 And they will be expected to trade on crypto
21 currency exchanges, the second part of that, do you know
22 why this was -- that was put in the white paper?

23 A I believe this was put in the white paper such
24 that it illustrated that people would be able to get in
25 and out of the Kin ecosystem, whether they held Kin and

1 wanted to sell it or wanted to purchase more Kin.

2 **Q And was the expectation that that would be**
3 **important to potential Kin purchasers?**

4 A The expectation was that any participant in
5 the Kin ecosystem, not necessarily just the sale, it
6 would be important to get in and out of this economy.

7 **Q And why was it expected that Kin would trade**
8 **on cryptocurrency exchanges?**

9 A Given that it is an ERC-20 token, and both
10 fungible and transferable, any cryptocurrency exchange
11 can list an ERC-20 token. It doesn't require any
12 specific permission from anyone. It's a permissionless
13 blockchain, which is an Ethereum, and ERC-20 tokens can
14 be implemented on an exchange if an exchange operator
15 chose to.

16 **Q Was the statement here in the white paper**
17 **based on any specific exchange that Kik had had**
18 **interaction with?**

19 A Not that I'm aware of.

20 **Q The next section -- still on page 8 -- that's**
21 **Implementation, Ethereum, and ERC-20, the first sentence**
22 **states: Kin will be implemented on the public Ethereum**
23 **blockchain as an ERC-20 token.**

24 A Yes.

25 **Q Was that the expectation at the time?**

1 A Yes.

2 **Q Has Kin been implemented on the public**
3 **Ethereum blockchain as an ERC-20 token?**

4 A Yes.

5 **Q Were there any doubts, at the time of this**
6 **white paper, May of 2017, about whether additional or**
7 **alternative blockchain solutions might be necessary?**

8 A There was discussion that there may need to be
9 additional functionality added to a blockchain solution,
10 whether that's, for example, Layer 2 scaling solution.

11 I believe it's discussed briefly in the white
12 paper as well, but there was also, at the time, a lot of
13 documentation and talk from Ethereum about potentially
14 moving to some of their own scaling solution. So it was
15 generally unknown what the scalability of Ethereum
16 would be at the time.

17 **Q And do you think Kik was transparent with**
18 **potential Kin purchasers about scaling and scalability**
19 **concerns with Ethereum?**

20 A I believe so, yes.

21 **Q Why do you say that?**

22 A Given there's another section in here about
23 potential scaling solutions and exploring other
24 alternatives.

25 **Q And outside of the white paper, was that**

1 **something Kik discussed with potential Kin purchasers in**
2 **advance of the token sale?**

3 A There were discussions with some of the
4 participants in the presale about some of the other
5 scaling solutions that could potentially work for this,
6 either in the near or long-term.

7 **Q How about in the public sale?**

8 A In the public sale, I don't recall any
9 specific mention of exactly what the scaling solutions
10 would be, outside of the fact that it was called out in
11 the white paper that there would need to be
12 considerations for scaling.

13 **Q Let me point you to page 12, and a section**
14 **that starts at the bottom of page 12 called Kik Economy**
15 **and Prospective Use Cases. You can eyeball it.**

16 A Yep.

17 **Q I think you're familiar with this document.**
18 **There are a series of example use cases listed?**

19 A Yeah.

20 **Q Tipping, brand missions. I think there's**
21 **pizza in here.**

22 A I believe so, too.

23 **Q Always ought to be pizza.**

24 **Where -- ask you a basic question at the**
25 **beginning. Where did these use cases come from?**

1 A These use cases were largely driven by members
2 of the Product team, who were looking at some potential
3 use cases, not just in Kik, but potential other partners
4 as well.

5 **Q Roughly who were the leaders of that Product**
6 **team?**

7 A Eran Ben-Ari was the head of Product at the
8 time, and he had a few people that worked with him as
9 well.

10 **Q And do you know how they came up with these**
11 **particular use cases?**

12 A I don't recall specifically how all of them
13 were developed. I know that there was some discussions
14 about what some of these may look like. Some of them
15 were driven off of some of the emergent user behavior we
16 had seen in Kik.

17 For example, the bot example: Branded
18 missions, but largely driven off of some of the
19 learnings from doing surveys on Kik Points. Premium
20 user-generated content was something as well that had
21 seen large appetite for UGC in Kik.

22 **Q That's what I was going to ask. Some of these**
23 **seem drawn from, I would assume, Kik's experience;**
24 **right? In other words, VIP groups, user-generated**
25 **content, that -- would you agree that those are things**

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1 that Kik, as a company that ran a messaging app, was
2 pretty familiar with?

3 A Yes.

4 Q And would you agree that some of these are not
5 necessarily things that were drawn directly from the Kik
6 messaging app experience?

7 A I'd say the bot monetization. For example,
8 Kik had a bot platform and had bot developers that were
9 building on top of this, which that would be some of the
10 other developers, but a lot of these are chat-centric
11 examples.

12 Q Got it. Okay. And this might be obvious, but
13 these are just hypothetical use case for the future;
14 right?

15 A Correct.

16 Q So neither in May nor in September of 2017,
17 you know, could you -- was there a bot to allow you to
18 order pizza; right?

19 A No.

20 Q Okay. And so if someone bought Kin in the
21 expectation of being able to buy pizza with Kin in
22 September of '17, they would have misread what a "use
23 case" means?

24 A Yes.

25 Q Okay. Do you think there was confusion about

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1 believe this was largely driven here because this is a
2 product that Kik is very familiar with. But in each of
3 these, it does a pretty good job of articulating kind of
4 the ethos of each of these.

5 So for example, in the user-generated content
6 talking about a creator charging to Kin for a piece of
7 media, I don't think that's exclusive to Kik. These
8 screenshots here are of Kik, but that would not be
9 something that could not be implemented in another
10 application.

11 BY MR. LEASURE:

12 Q Can I point you further down the document to
13 page 21, Kik 21?

14 A Yes.

15 Q The section -- the main section is Kin Token
16 Issuance, and then there's Kin Token Allocations?

17 A Yep.

18 Q The first paragraph, I'll just read it so you
19 see where I am.

20 Quote: In order to finance the Kin roadmap,
21 Kik will conduct a token distribution event that will
22 offer for sale 1 trillion units out of a 10 trillion
23 unit total supply of Kin.

24 A Yeah.

25 Q Let me pause there. That was the plan then?

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1 that or not?

2 A I don't believe there was confusion about
3 that.

4 Q You think people understood that there are any
5 number of potential uses for Kin after the public sale,
6 but not at the time of it?

7 A Yes.

8 Q Okay.

9 BY MR. MITCHELL:

10 Q The text on the top of Kik 13, do you see
11 where it says: Below are several possible use cases
12 demonstrating how Kin may be integrated into the Kik
13 app?

14 A Yeah.

15 Q Do you see that? So are -- the examples on
16 13, 14, and 15, those are examples how it could be used
17 in the Kik app?

18 A Yep.

19 Q And does the white paper include use cases of,
20 you know, how some other developer might use it or
21 anything like that?

22 A Not specific use cases.

23 Q Why not?

24 A I don't know why there are not specific
25 screenshots of other use cases outside of Kik. I

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1 A Yes.

2 Q And that's what happened?

3 A Yes.

4 Q Okay.

5 The proceeds of the token distribution event
6 will be used to fund Kik operations and to deploy the
7 Kin Foundation.

8 A portion of the funds raised in the token
9 distribution will be used to execute upon the roadmap of
10 additional feature development planned for the Kinit
11 integration into Kik.

12 Let me pause there. In the process of
13 preparing for the public sale, was there any further
14 description given of Kin's -- Kik's plans for the
15 proceeds?

16 A No.

17 Q Why is that?

18 A The proceeds from the sale was not a right to
19 any portion of Kik, for example, so I don't believe it
20 would have been productive to detail the budget for Kik,
21 for example.

22 Q Did anyone ask for such a budget?

23 A Not that I'm aware of.

24 Q Did Kik have a budget for how it planned on
25 spending the Kin sale proceeds?

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1 A Kik has a budget allocated to different teams,
2 and teams had part of Kin development in some of the
3 roadmap.

4 **Q So was there a schedule for how to spend the**
5 **proceeds? I asked "budget," which may have not been the**
6 **best term.**

7 **Did -- in spring, summer, fall of 2017, did**
8 **Kik develop a schedule or plan for what it was going to**
9 **spend and how it was going to spend it using the**
10 **proceeds?**

11 A No.

12 **Q Do you think it should have?**

13 A There was a budget, so there's a budget that
14 Kik had that included all of the development here, but
15 it also includes the cash that Kik already had on hand,
16 so that's why there was not a specific schedule for just
17 the revenue from the sale.

18 There was a plan and a budget for development
19 that included some of the revenue from the sale as well
20 as existing cash that Kik had.

21 **Q Okay. Roughly, around this time, how much**
22 **cash did Kik have on hand?**

23 A At the time of writing this?

24 **Q Yes. Let's say -- obviously, the private and**
25 **public sales give more cash on hand to Kik; correct?**

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1 A Yes.

2 **Q And so outside of the private and public sale**
3 **in 2017, roughly how much cash did Kik have on hand?**

4 A I believe Kik had approximately a year's worth
5 of runway, so that would put it at probably 20 to 30
6 million.

7 **Q Okay.**

8 BY MR. MITCHELL:

9 **Q That was in May?**

10 A In May, I believe there was just under a year
11 of runway, yes.

12 **Q Sorry, are you -- how confident are you in**
13 **that?**

14 A I am --

15 **Q I'm just listening to the tone of your voice.**
16 **I just don't want to --**

17 A Yeah. I don't have -- I can't remember the
18 specific financial statements, so -- and there's also,
19 within the runway as well, I should say, there are
20 different levers to extend or reduce runway, obviously.

21 So in terms of a specific runway date, I know
22 that Kin moved based on different expenditure driven not
23 just on head count but investment in server
24 infrastructure and all of those areas, so that's why --
25 the other answer I wouldn't give a confident answer is

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1 that it is flexible as well.

2 **Q Sorry, so sitting here today, do you have a --**
3 **do know how much cash Kik had at -- in May when it made**
4 **this announcement?**

5 A No.

6 **Q All right. That's fine.**

7 BY MR. LEASURE:

8 **Q Can I turn you to page 23? Kik 23, the**
9 **section Token Distribution Event, do you see that at the**
10 **top?**

11 A Yes.

12 **Q And the first sentence reads: The foundation**
13 **will commence the token distribution event once Kik has**
14 **completed the technology upgrade to integrate with Kin**
15 **and the cryptocurrency can be used functionally within**
16 **Kik.**

17 **Let me pause. In the event, did the**
18 **Foundation commence the token distribution event?**

19 A I do not know the mechanics of the execution
20 of the smart contract.

21 **Q Did the Foundation have anything to do with**
22 **the token distribution event?**

23 A The Foundation was allocated 60 percent, and I
24 am not sure the -- like, the actual function of the
25 smart contract execution.

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1 **Q Did the Foundation have officers at the time**
2 **of the token distribution event?**

3 A I am not sure.

4 **Q Okay. All right.**

5 **The second portion of this is that -- the**
6 **token distribution event -- once Kik has completed the**
7 **technology upgrade to integrate with Kin and the**
8 **cryptocurrency can be used functionally within Kik.**

9 **Is this what happened?**

10 A Yes.

11 **Q Okay. How was the crypto -- how was Kin used**
12 **functionally within Kik at the time of the token**
13 **distribution event?**

14 A There was a Kin wallet in Kik that once users
15 were distributed their Kin and they had Kin, could link
16 their external wallet to the Kin wallet in Kik, which
17 granted them status and access to premium content.

18 **Q The stickers --**

19 A Yes.

20 **Q -- that we discussed? And no other way?**

21 A No.

22 **Q Okay. So there were --**

23 BY MR. MURTHA:

24 **Q I'm sorry, you keep saying "premium content."**
25 **Is that just stickers, or something else?**

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1 A No, sorry, stickers. Yeah.
 2 **Q Okay.**
 3 **Sorry about that.**
 4 MR. LEASURE: No, that's great.
 5 **Q We're going to walk through discussions about**
 6 **what products should be in place when Kik would**
 7 **introduce Kin and do the token distribution event. At**
 8 **this time, May of 2017, was that what was meant by "can**
 9 **be used functionally within Kik"?**
 10 A Yes. A product that would be integrated
 11 within Kik that Kin had functionality with.
 12 **Q And the -- if someone in May of 2017 asked Kik**
 13 **what does it mean that Kin can be used functionally**
 14 **within Kik, the answer would have been what?**
 15 A At this date?
 16 **Q Yes.**
 17 A I do not know.
 18 **Q Well, you --**
 19 A There were different product experiences that
 20 the Product team was evaluating, and at the time in May,
 21 there was not a distinct decision on exactly what that
 22 product would be.
 23 **Q Okay. And we'll walk through more of the**
 24 **discussion about that over time.**
 25 A Yeah.

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1 **Q But the answer you gave me now -- which is it**
 2 **so happens that in September the functional use for Kin**
 3 **within Kik was the ability to unlock sticker pack**
 4 **contents; correct?**
 5 A Yes.
 6 **Q That wouldn't have been necessarily the answer**
 7 **had it -- had a potential buyer asked it in May of 2017?**
 8 A Correct.
 9 **Q Okay.**
 10 **Let me show a document that relates to the**
 11 **white paper, while you have it in front of you.**
 12 A Yep.
 13 **Q I'm going to mark this as Exhibit 109.**
 14 **(SEC Exhibit No. 109 was marked for**
 15 **identification.)**
 16 **Take a look at Exhibit 109 and let me know**
 17 **when you are ready.**
 18 A Yep.
 19 **Q This is a one-page printout of an e-mail chain**
 20 **ending November 18th, 2017, with the subject Feedback.**
 21 **It has the Bates stamp CoinFund 14523.**
 22 A Yep.
 23 **Q What is this document?**
 24 A This is an e-mail that I sent to Jake Brukman
 25 at CoinFund, and his response.

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1 **Q Okay. And it refers -- correct me if I'm**
 2 **wrong. You had the conversation with Dan Morehead of**
 3 **Pantera?**
 4 A Yes.
 5 **Q And we're going to talk more about Dan**
 6 **Morehead and Pantera. Who are they, and what role did**
 7 **they have in the Kin project, if any?**
 8 A Pantera was a participant in the presale and
 9 it was engaged, both before the public sale and
 10 continues to be engaged now, working with some of the
 11 Technology team on assessing some other areas of
 12 scalability.
 13 **Q And you're summarizing a conversation you had**
 14 **after the public sale with Dan Morehead at Pantera?**
 15 A Yes.
 16 **Q About Kin?**
 17 A Yes.
 18 **Q Okay. Do you remember this conversation?**
 19 A Yes.
 20 **Q Did you accurately describe this conversation**
 21 **here?**
 22 A Yes.
 23 **Q Okay.**
 24 **And he seemed to think it was a good white**
 25 **paper; correct?**

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1 A Yes.
 2 **Q Okay. One question, he -- at least you**
 3 **characterize his description of it as being "tactfully**
 4 **written," or it -- the "tactful way it was written." Do**
 5 **you see that?**
 6 A Yes.
 7 **Q What's meant by that?**
 8 A What I meant by this was that -- and the --
 9 I'll illuminate the conversation I had a little bit more
 10 with Dan.
 11 **Q Sure.**
 12 A Was that he had mentioned that a lot of white
 13 papers they read are extremely technical in nature such
 14 that a lot of people would read them and not really even
 15 understand them.
 16 And he gave a lot of feedback that the Kin
 17 white paper was very tactfully written in a way that
 18 someone who's not familiar with the technology that
 19 underpins a cryptocurrency could read this and
 20 understand the vision and felt that just the way the
 21 prose flowed, as well as the way it was positioned, was
 22 very strong writing.
 23 **Q Okay. Anything else in terms of the tact in**
 24 **the white paper?**
 25 A No. That was predominantly the feedback

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1 specific to the CoinFund team.

2 **Q And do you think -- you yourself -- think the**
3 **white paper was tactfully written?**

4 A I do.

5 **Q And you're thanking, here, CoinFund. I think**
6 **you write because they were a massive part of that?**

7 A Yes.

8 **Q Was CoinFund a massive part of the writing of**
9 **the white paper?**

10 A CoinFund was a massive part of committing all
11 of this to prose and having it flow very succinctly and,
12 what I would say, eloquently, and that's what I was
13 referring to here in the context.

14 **Q Okay.**

15 BY MR. MITCHELL:

16 **Q In the white paper?**

17 A Yes.

18 **Q Okay. So at the time of the white paper, did**
19 **Kik plan on selling a trillion Kin?**

20 A Yes.

21 **Q And how did it plan to sell them?**

22 A The --

23 **Q I don't mean the market. I mean how did it**
24 **plan to go about actually doing the sales? Who were the**
25 **customers? What was it going to sell?**

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1 A So it was going to sell Kin to -- there was
2 continued discussion as to how to actually execute the
3 sale, whether to do a presale and a public sale,
4 exclusively a presale, or exclusively a public sale, and
5 at the time, it was not decided upon what the function
6 would be of the token sale.

7 **Q Sorry, so as of the time of the white paper,**
8 **it was still up in the air whether there'd be just a**
9 **presale, just a public sale, or some mix of the two?**

10 A Yes.

11 **Q All right. And then in terms of the presale,**
12 **had you settled on, well, this is -- if we have a**
13 **presale, we know how we're going to do it?**

14 A At the time of the white paper, I don't
15 believe it was specifically outlined as to the
16 structure.

17 **Q Were there different options people were**
18 **considering?**

19 A The options were largely driven off of how
20 much to allocate to a presale versus a public sale or
21 the mix in between.

22 **Q Okay. So one of the variables is how much to**
23 **sell in a -- between the two --**

24 A Yes.

25 **Q -- areas? And was -- in terms of just looking**

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1 **at the -- sorry, what is a presale? When you're saying**
2 **"presale," what do you mean?**

3 A When I say a "presale," it is executing a --
4 in this case a SAFT, Simple Agreement for Future Tokens,
5 with accredited investors who purchase the right to Kin
6 at the time of the launch of the network.

7 **Q Okay. And so at the time of the white paper,**
8 **had Kik decided that if it was going to have a presale,**
9 **it was just going to be to accredited investors?**

10 A Yes.

11 **Q Okay. And at the time of the pre -- the white**
12 **paper, had Kik settled and said, oh, we're going to use**
13 **-- the SAFT is the way we're going to do the sale?**

14 A I believe there was significant discussion
15 prior to the white paper about if there was a presale,
16 using a SAFT.

17 **Q Okay. But was that decided? Were you -- did**
18 **you have the SAFT document finalized?**

19 A I don't recall when the SAFT document was
20 finalized.

21 **Q Okay.**

22 **At the time of the white paper, were people**
23 **still considering potentially just selling tranches of**
24 **tokens? In other words, as opposed to using a SAFT**
25 **contract, but just sell one set of tokens, then another**

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1 **tranche of tokens and another tranche of tokens and then**
2 **eventually a set of -- a tranche to the public?**

3 A I don't recall if that structure was defined.

4 **Q Sorry, was that one of the -- sorry.**

5 **Sorry, am I right that the structure actually**
6 **hadn't been defined yet; is that right?**

7 A I -- if there was a presale, it would be sold
8 to the presale and then to the public sale. Two
9 tranches.

10 I don't know -- I can't recall if the SAFT was
11 decided on at this point as the function for that first
12 tranche.

13 **Q Okay. Sorry, but at some point, Kik decided**
14 **that the function for the first tranche would be through**
15 **a SAFT?**

16 A Yes.

17 **Q When the white paper came out, did Kik have a**
18 **goal for how much it wanted to raise?**

19 A At the time of the white paper coming out,
20 there was discussion about where -- not only how to
21 structure it, whether it was a hard cap or a soft cap,
22 for example, and the actual function of what the public
23 sale could potentially look like if there was a public
24 sale, and it was not decided on in a specific amount for
25 a hard cap.

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1 **Q Okay. Was there a goal?**
 2 A I don't believe there was a specific goal.
 3 **Q Was there a range for a goal?**
 4 A At the time of the white paper, the amount
 5 that was discussed was around a hundred million.
 6 **Q Then the money that Kik was going to raise was**
 7 **going to be used to -- I'm just looking at the**
 8 **language -- build the ecosystem that's described in the**
 9 **white paper?**
 10 A The funds would be used to execute on the
 11 roadmap for the future development, yes.
 12 **Q Which is described in the white paper?**
 13 A Yes.
 14 **Q Okay. And so then at some point after the**
 15 **white paper was put out, the company decided to use the**
 16 **SAFT form as the way to do a presale?**
 17 A Yes.
 18 **Q Okay. So at some point after the white paper,**
 19 **they did -- Kik decided to do a presale; is that right?**
 20 A It may have been before the -- I don't recall
 21 when the decision to do a presale was decided on.
 22 **Q So at some point, then people settled on the**
 23 **SAFT. So what is a SAFT?**
 24 A A SAFT is a Simple Agreement for Future
 25 Tokens.

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1 **Q Is it a contract?**
 2 A It is -- I do not know if you would classify
 3 it as a contract.
 4 **Q That's fine.**
 5 **Who could buy SAFTs?**
 6 A Accredited investors.
 7 **Q And how is "accredited investors" defined?**
 8 A The "accredited investor" definition, I
 9 believe, you're an individual, you have to have two
 10 subsequent years of net income above 200,000, or net
 11 assets above a million, or if you're an institution, I
 12 believe above 5 million.
 13 **Q And is this a definition that comes from the**
 14 **federal securities laws?**
 15 A I believe so, yes.
 16 **Q The U.S. --**
 17 A I believe so.
 18 **Q The U.S. federal securities laws?**
 19 A I believe so.
 20 **Q Okay.**
 21 A I am not a lawyer.
 22 **Q And why were SAFTs limited to being purchased**
 23 **by accredited investors?**
 24 A To my understanding, the SAFT model is limited
 25 to accredited investors.

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1 **Q Why?**
 2 A I am under the -- I was -- I am under the
 3 understanding that a SAFT is limited to accredited
 4 investors because you are purchasing the right to
 5 something in the future, and there is a stipulation in
 6 the SAFT that it must be an accredited investor.
 7 **Q Okay. Do you have an understanding of why the**
 8 **SAFT limits the purchasers to be accredited investors?**
 9 A I believe it is because an accredited
 10 investor, when you're purchasing a SAFT, is taking on
 11 risk because the token has not been issued at the time
 12 of the SAFT being signed.
 13 **Q And what did people who bought a SAFT get from**
 14 **Kik?**
 15 A They got tokens at the time of the token
 16 distribution event.
 17 **Q Did they get the right to tokens at a**
 18 **discounted price compared to the price at the token**
 19 **distribution event?**
 20 A Yes.
 21 **Q And did they get immediate access to all their**
 22 **tokens?**
 23 A They -- at the time of the token distribution
 24 event, they got 50 percent, and 50 percent a year later.
 25 **Q And what did -- how did people pay Kik in**

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1 **order to get the SAFTs?**
 2 A U.S. dollars.
 3 **Q Any other currencies?**
 4 A No.
 5 **Q Did anybody exchange, like, real property for**
 6 **a SAFT?**
 7 A No.
 8 **Q Did anyone exchange, like, consulting services**
 9 **or personal services --**
 10 A No.
 11 **Q -- to Kik for the SAFT?**
 12 A No.
 13 **Q Did anyone give any promises other than I'll**
 14 **pay you U.S. dollars to get the SAFT?**
 15 A No.
 16 **Q When did Kik first tell people that it would**
 17 **sell SAFTs?**
 18 A I believe the first conversation of a SAFT
 19 specifically was after the release of the white paper.
 20 **Q Okay. Do you remember who it was with? Who**
 21 **Kik first approached about the possibility of a SAFT?**
 22 A I believe Pantera was the first.
 23 **Q And when did Kik sort of first execute a SAFT?**
 24 A I believe the first SAFT was executed in June.
 25 **Q Who was that with?**

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1 A I believe Pantera was the first to execute a
2 SAFT.

3 **Q And when did Kik last execute a SAFT?**

4 A I believe the last SAFT was executed a couple
5 of days before the public token distribution event.

6 **Q What do you mean a couple days before the
7 event?**

8 A The last SAFT was signed in early September,
9 before the public sale commenced.

10 **Q Was there a time where Kik -- sorry.**

11 **In the white paper, Kik told people that there
12 would be a token distribution event where Kin tokens
13 were sold; is that right?**

14 A Yes.

15 **Q All right. Was there some point where Kik
16 told people, okay, this is how we're going to run the
17 sale?**

18 A There was an announcement prior to the token
19 sale as to the function of the sale, yes, and --

20 **Q And sort of how someone would go about signing
21 up? What they could buy?**

22 A Yes.

23 **Q When was that?**

24 A I don't recall the specific date, but it was a
25 few weeks before the public sale, I believe.

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1 **Q And when did Kik actually sell Kin tokens to
2 people?**

3 A September 12th, I believe, was the first day
4 of the token distribution event. The tokens were not
5 distributed until the close of the sale, which was two
6 weeks later on September 26th.

7 **Q I'm sorry, and so did -- so Kik opened
8 registration before the 12th?**

9 A Yes.

10 **Q And then so -- and registration closes on
11 the -- sorry, let me back up.**

12 **Is the -- by the 12th, had registration
13 already closed?**

14 A Yes.

15 **Q And do you remember when registration opened?**

16 A I don't recall the date that registration
17 opened. Registration closed on September 9th.

18 **Q And do you remember roughly how long it was
19 open?**

20 A I believe it was a few weeks.

21 **Q And then so for the people who bought Kin
22 directly, not the SAFT, what did they receive from Kik?**

23 A People that purchased in the public sale?

24 **Q Yeah.**

25 A They received Kin.

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1 **Q And did -- were there any restrictions on
2 their Kin?**

3 A No.

4 **Q Were there any restrictions on the Kin that
5 the SAFT purchasers obtained in September of 2017?**

6 A No.

7 **Q And did -- what did -- the people who bought
8 in the public sale, what did they give to Kik?**

9 A Ether.

10 **Q Did anybody pay for those with anything other
11 than Ether?**

12 A No.

13 **Q Okay.**

14 **And so was there any discussion of putting
15 restrictions on the Kin that people were delivered? You
16 know, like, meaning they could get them but they
17 couldn't sell them for a certain amount of time, or
18 anything like that?**

19 A I don't believe so.

20 **Q Okay.**

21 **So the private sale, U.S. dollars came in to
22 Kik. Where did they go?**

23 A They went to Kik Interactive.

24 **Q And how did Kik -- sorry, did they go into a
25 Kik bank account?**

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1 A Yes.

2 **Q Do you know where?**

3 A I believe it was a California-based Silvergate
4 account.

5 **Q Silvergate?**

6 A Silvergate Bank.

7 **Q And how did Kik use the money that they
8 received?**

9 A I am not sure.

10 **Q Do you have any idea?**

11 A I believe it was used for Kik operations.

12 **Q What kind of operations?**

13 A I do not know the bifurcation of the proceeds
14 of the sale from Kin versus the existing cash that Kik
15 had.

16 **Q Okay.**

17 **Do you know what Kik -- how much money Kik has
18 been spending a month for the past -- you know, during
19 2018?**

20 A I don't know a specific number. I believe the
21 burn is just above 2 million per month.

22 **Q Per month? Same question for the public sale.
23 Do you know where the proceeds went?**

24 A The Ether went into Kik's Ether address and
25 was subsequently liquidated over the course of time

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1 through Cumberland Mining.
2 **Q Cumberland Mining worked as a broker?**
3 A They did the sale of Ether for U.S. dollars.
4 **Q And then where did those U.S. dollars go?**
5 A I believe they went to the Silvergate Bank
6 account.
7 **Q And how did Kik use those proceeds?**
8 A Again, I don't know the bifurcation of those
9 proceeds versus the existing cash on hand that Kik had.
10 **Q And were you involved in the discussion about**
11 **whether to use the SAFT structure in the sale?**
12 A Yes.
13 **Q So what were the reasons for using a SAFT?**
14 A Those discussions were with our attorneys.
15 **Q All of them with attorneys?**
16 A Yes.
17 **Q So don't tell me what an attorney said, but**
18 **when the decision was made to use a SAFT, was that**
19 **decision influenced by concern about compliance with the**
20 **securities laws?**
21 MR. LENCH: Wait. Wait. Just wait.
22 BY MR. MITCHELL:
23 **Q Let me ask the question again so you can hear**
24 **it. So you don't tell me what a lawyer said, but when**
25 **people were making the decision, when they had to**

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1 **decide, was that decision to use a SAFT structure**
2 **influenced by concern about compliance with the**
3 **securities laws?**
4 A The --
5 MR. LENCH: Wait.
6 Can we go off the record? And let -- I think
7 we should discuss this because -- and can I ask the
8 reporter to read back the exact language of that last
9 question, please?
10 (Whereupon the record was read.)
11 MR. LENCH: Let's just go chat one minute, and
12 I don't think this will take very long.
13 MR. MITCHELL: So let's go off the record.
14 THE VIDEOGRAPHER: Going off the record. The
15 time on the video monitor is 4:18 and 54 seconds.
16 (A recess was taken from 4:18 p.m. to 4:25
17 p.m.)
18 THE VIDEOGRAPHER: We are back on the record.
19 The time on the video monitor is 4:25 and 9 seconds.
20 MR. LEASURE: After a brief break, during
21 which, Mr. Philp, you had no substantive conversations
22 about this investigation with SEC staff?
23 THE WITNESS: No.
24 MR. LENCH: Okay. The Witness will give a
25 response to the previous question.

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1 THE WITNESS: We always sought to comply with
2 federal securities law, and the SAFT was no different.
3 BY MR. MITCHELL:
4 **Q Thank you.**
5 **Was the choice of using a SAFT influenced by**
6 **the concern about complying with the securities laws?**
7 A All of the discussions around the SAFT were
8 with our attorneys, and we always sought to comply with
9 securities laws, which was a component in deciding to
10 use the SAFT.
11 **Q While you were out, I just sort of tried to**
12 **make this question -- the question I asked earlier a**
13 **little better, because I -- I don't think you -- I think**
14 **I didn't do it right.**
15 **Is Kik spending -- since the dates of the**
16 **sales of the SAFT, has Kik spent the proceeds of the --**
17 **those sales to help create the Kin ecosystem?**
18 A Kik has spent some of the proceeds of the
19 sale, yes.
20 **Q On the Kin ecosystem project described in the**
21 **white paper?**
22 A A lot of the work that is being done by Kik is
23 pursuant to the roadmap that was defined in the white
24 paper, and I don't know the bifurcation of the source of
25 funds and where they're being spent.

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1 BY MR. SCHLEGELMILCH:
2 **Q Let me just talk to that for a second. So I**
3 **think you said in May of 2017, depending on head count,**
4 **depending on expenditures, there was about a year**
5 **runway.**
6 A Yeah.
7 **Q I think that was your testimony. We are now**
8 **beyond a year --**
9 A Right.
10 **Q -- from May 2017, so is it fair to say that**
11 **the cash cushion that existed in May of 2017 is gone and**
12 **that Kik is now spending, on its operations, the revenue**
13 **it received from the Kin token distribution event?**
14 A Yes.
15 **Q And is Kik -- is it segregating in any way the**
16 **revenue it received from the token distribution event to**
17 **only fund Kin projects, or is it using it for sort of**
18 **Kik operations generally, some of which involve building**
19 **out the ecosystem?**
20 A I believe it is all being used across the
21 different roadmaps, not specific just to Kin.
22 **Q So all of Kik's operations?**
23 A All of Kik's operations.
24 **Q Okay.**
25 BY MR. LEASURE:

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1 Q Going back to the white paper very briefly.
2 How was it published?
3 A This was published on a kin.kik.org website.
4 Q So anyone who had access to the internet could
5 read the white paper?
6 A Yes.
7 Q Okay.
8 And then the token sale, correct me if I'm
9 wrong, was publicly-announced at a Token Summit in New
10 York City in late May?
11 A Yes.
12 Q Tell me about that announcement.
13 A That was announced -- so Token Summit was when
14 the Kin ecosystem and white paper were both announced.
15 They were released on the same day, so the white paper
16 went live on the same day as Token Summit.
17 Ted was on stage with William Mougayar on --
18 at Token Summit and described the vision for Kin as
19 well, at the same time, the white paper went live for
20 anyone who was not at the announcement to then read the
21 white paper.
22 Q Were you there at the announcement in New
23 York?
24 A I was in New York and the building stopped
25 letting people in because of a fire concern of

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1 overcapacity, so I was in the lobby when it was
2 announced.
3 Q That's a good problem, overcapacity; right?
4 For the building.
5 A It's a good problem to have, unless you're me.
6 Q Yes. Well, I'm sorry. You had intended to
7 attend the thing?
8 A I had a ticket and intended to attend.
9 Q Why the Token Summit, as opposed to some other
10 venue, to announce the Kin token offering?
11 A Token Summit was selected, I believe, because
12 -- so William Mougayar, who did the interview, was very
13 familiar with Kin, now sits on the Kin Foundation board,
14 actually, and was seen to be a good interviewer for Ted.
15 They had a good dynamic.
16 As well as Token Summit was right before
17 Consensus -- or right after Consensus, sorry, but there
18 was a lot of discussion at the time between the two
19 conferences around new innovative products that were
20 building around blockchain or cryptocurrency, and I
21 believe the marketing team and Ted decided that that
22 would be a good venue to make the initial announcement.
23 Q Okay. To maximize exposure in the crypto
24 community? Is that a fair way of looking at it?
25 A I think that's fair.

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1 Q And had there already been informal outreach
2 to potential token purchasers prior to this
3 announcement?
4 A A few days prior, there were some initial
5 conversations that happened with, I believe, Dan at
6 Pantera; Brock Pierce, who at the time was at Blockchain
7 Capital; and there was one other developer. I believe
8 his first name was Reed -- I don't remember his last
9 name -- who was a developer that was seen as potentially
10 integrating Kin into their -- into his products.
11 Q Okay.
12 MR. MENDEL: And Pantera, that's a hedge fund;
13 right?
14 THE WITNESS: Yes.
15 BY MR. LEASURE:
16 Q Let me change topics.
17 We see the term in the documents called MVP.
18 What does that stand for?
19 A That is -- stands for Minimum Viable Product.
20 Q And how does that term apply to the Kin
21 project?
22 A So MVP is something that applies to that
23 short/long product process that I mentioned before where
24 pretty much all products are rolled out in a first
25 iteration, often called the MVP, which the definition of

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1 M -- of an MVP, because minimum viable is minimum viable
2 to glean enough data from users to then actually iterate
3 on the product.
4 Q And particularly with respect to the Kin
5 project, I was going to ask you how viable to what?
6 Viable for what purposes?
7 A So typically, when the Product team talks
8 about minimum viable, it is viable such that enough
9 users would use it and there's enough user activity that
10 they could extract some learnings that would educate
11 further product development in that short and long
12 product process.
13 Q And that's typical definition in the tech
14 space for how MVP is used?
15 A Yes.
16 Q And that was how it was used in connection
17 with the Kin project specifically?
18 A To the best of my knowledge, yes.
19 Q Did Kik attempt to develop an MVP for the Kin
20 public sale in part out of concerns for compliance with
21 the securities laws?
22 A Kik was aware that one of the key components
23 of the Howey Test is people buying something to use it,
24 and that was a key variable in having a product in place
25 at the time of the token sale.

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1 **Q And so the -- how does the MVP fit into that?**

2 A The MVP would have been the first product that
3 integrated Kin and Kik launched at the time, and MVP, as
4 I've always heard it in product speak, would be minimum
5 viable to be able to actually iterate on that.

6 **Q What -- we see in the documents, to be**
7 **transparent, from May and June of 2017, iterations and**
8 **back and forth about what an MVP should be for Kin.**
9 **Does any of that ring a bell for you?**

10 A Yes.

11 **Q I'm going to walk you through it, but sort of**
12 **if you can give me a summary of what you recall about**
13 **those iterations, that would be helpful.**

14 A What I recall is that the Product team was
15 evaluating what type of a product should be launched at
16 the time of the token sale such that someone who
17 purchased Kin and had Kin on day zero of the token
18 distribution event would be able to use it in Kik.

19 And there were different discussion as to what
20 that product could look like, whether that was, I
21 believe, peer-to-peer, and tipping was one that was
22 considered. The -- what -- obviously what ended up
23 being implemented was considered, of linking a wallet
24 and having status and stickers. And I know that that
25 was largely driven by the Product team.

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1 **Q Were there any other things you know they were**
2 **considering?**

3 A I believe there were some other wallet
4 functionalities, mostly around peer-to-peer, that I
5 think was one of the other large considerations.
6 Peer-to-peer being one Kik user sending Kin to another
7 Kik user.

8 **Q I see.**

9 A Yeah.

10 **Q So a wallet that would enable me, within Kik,**
11 **to transfer Kin to another Kik user?**

12 A Yes.

13 **Q Okay. And that wasn't ultimately a part of**
14 **the initial MVP for the Kin project?**

15 A No.

16 **Q Okay.**

17 **Was it the Product team leading these**
18 **discussions?**

19 A Largely the Product team, yes.

20 **Q That's the group led by Mr. Ben-Ari?**

21 A Yes.

22 **Q Did other people get involved in the**
23 **discussions?**

24 A There were other engineers on the team that
25 contributed in those. I was involved in some of the

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1 discussions, but more on the periphery and the project
2 management capacity. I believe Ted was involved in
3 those discussions, and other levels of management.

4 **Q Did the board of directors get involved in the**
5 **discussion?**

6 A I am not sure how involved they were. There
7 may have been some discussion about product in some of
8 the board meetings.

9 **Q Did you personally have a view -- at this**
10 **time, May/June 2017, did you personally have a view**
11 **about what MVP should accompany the Kin public sale?**

12 A I did not personally have a view.

13 **Q Did Peter Heinke?**

14 A I don't know specifically what his view was on
15 the MVP.

16 **Q In terms of the flavor within the company, we**
17 **see a lot of e-mails and communications back and forth,**
18 **but that doesn't tell you the gestalt, as it were; what**
19 **it was like at the time.**

20 **Was this a controversial topic within Kik**
21 **about what MVP should come with the Kin public sale?**

22 A There was a lot of discussion as to what the
23 product should be. Different people weighing in on
24 that, yes.

25 **Q Did -- to your knowledge, did anyone disagree**

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1 **with the MVP that was ultimately identified?**

2 A To my knowledge, there was questions raised
3 about what the product should be.

4 **Q Tell me about those.**

5 A To the extent of my knowledge, there were some
6 concerns raised by some people outside of the product
7 organization about what should be the initial product
8 that was launched.

9 **Q Who were those people?**

10 A I believe Peter had had some discussions. I
11 know Eran, who was leading the product organization, was
12 discussing with other members of the Product team as to
13 what that should be, but I was not very involved in
14 actually putting together the spec for the product.

15 MR. MITCHELL: Did those people raise
16 concerns?

17 THE WITNESS: I think they were raising
18 concerns as to how compelling the product would be.

19 MR. LEASURE: "The product" being the sticker
20 packs that were ultimately introduced, or something
21 else?

22 THE WITNESS: During the process of putting
23 together the product spec, there were different concerns
24 raised by people at the organization, from my
25 understanding, as to what the product would be.

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1 I don't know the opinions of everyone on what
2 ended up being the final product.
3 BY MR. MITCHELL:
4 **Q What was Mr. Heinke's -- can you pronounce his**
5 **name again for me?**
6 A "Hine-ka."
7 **Q "Hine-ka."**
8 **What was -- can you -- what was**
9 **Mr. Heinke's concern?**
10 A I don't know what his specific concerns were.
11 I knew that he was having discussions with members of
12 the Product team.
13 **Q What about Mr. Ben-Ari?**
14 A I don't know what his specific concerns were
15 either, if any.
16 BY MR. LEASURE:
17 **Q Let me show you a document I'm marking as**
18 **Exhibit 110.**
19 (SEC Exhibit No. 110 was marked for
20 identification.)
21 **Take your time and let me know when you're**
22 **ready.**
23 **I'll identify it for the record as a one-page**
24 **printout of an e-mail chain ending April 27th, 2017.**
25 **The subject: Meeting Today. It has the Bates stamp**

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1 **CoinFund 897.**
2 **You ready?**
3 A I'm ready.
4 **Q What is this?**
5 A This is an e-mail chain between Jake and
6 myself outlining the agenda for the call with one of our
7 attorneys.
8 **Q Marco is?**
9 A He is an attorney for Cooley, who was our
10 attorney at the time.
11 **Q And who was Cooley counsel to?**
12 A Cooley was counsel to Kik.
13 **Q Okay. Did Cooley represent CoinFund?**
14 A I do not know.
15 **Q Don't know either way?**
16 A Don't know either way.
17 **Q And I don't want to know about this -- I don't**
18 **want to know what you told Marco and the like, but can**
19 **you tell me the purpose of a call with CoinFund and**
20 **Cooley?**
21 A I, in full transparency, do not recall this
22 call. It was over a year ago.
23 **Q Sure.**
24 A Based on the agenda and the fact that this was
25 a month before the white paper, I would assume that,

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1 given CoinFund was involved in drafting the white paper
2 and they were involved in the project, they were likely
3 brought in on a lot of the initial discussions.
4 **Q Okay.**
5 **Looking at the agenda, do you have any idea**
6 **what's meant by "crowd sale risk assessment"?**
7 A I believe that was looking at the different
8 risk areas of a crowd sale, both in function and the
9 structure.
10 **Q Item 2 -- would you agree with me that Item 2**
11 **suggests that there was at least some consideration of**
12 **what -- at this time of what became a SAFT agreement?**
13 A Yes.
14 **Q That there's a commercial agreement with**
15 **presale investors?**
16 A Correct.
17 **Q Okay.**
18 **But you didn't know at that point**
19 **whether it would be a SAFT or some other form of an**
20 **agreement --**
21 A Correct.
22 **Q -- is that fair? Great.**
23 **Item 3, De-Risking Securities Classification**
24 **Through Product Development, what's meant by that?**
25 A What was meant by this was there's an

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1 understanding that a key component in the Howey Test is
2 being able to use the token at the time that it is sold,
3 and product development would have a component in that
4 such that there should be a product live and usable at
5 the time of a token sale.
6 **Q Got it. So is it fair to say that Kik**
7 **developed an MVP in part out of a desire to pass the**
8 **Howey Test?**
9 A Kik was aware of the implications of having a
10 functional product and the implications that it had on
11 the Howey Test, and that was a consideration in product
12 development.
13 **Q Okay.**
14 **I'm going to walk you through more documents**
15 **in May and June about the product being developed. I**
16 **want to get your impression from something I perceive as**
17 **an outsider.**
18 **I perceive, again, there might be some**
19 **tension or trade-off between two different things**
20 **particular with the MVP.**
21 **You know, on the one hand, a desire to get to**
22 **the market with Kin as soon as possible, and on the**
23 **other, maybe a desire to introduce a more robust or**
24 **developed MVP when you go to the market, for securities**
25 **laws or even for other reasons.**

Is that tension consistent with your recollection, or am I misreading that?

A There was discussion as to when to go to market with the token sale and have the token live, and some of the components around product development was an MVP being live such that it demonstrated user adoption and really served as a validation point for other developers.

So the decision to be in market with a product that was used and consumers were adopting that and using it was a key variable in a decentralized ecosystem, as the intent was not for all of the products just to be built within Kik or for Kin to be exclusively used within Kik.

So on one side, you could wait and do a very robust product development in Kik exclusively, or go to market with a product and release the tokens in the ecosystem such that other developers would be able to start building on that and iterating.

Q And the final outcome of what became the MVP, what -- how did that fit in with -- between that tension?

A The final product served as a good use case for Kik to get learnings to iterate on the product. This was an iteration made to have earn and spend.

this, and created a test bed for users that the Product team could work on iterations through.

Q Okay. But what was the learning from the initial product from the premium stickers?

A That users did, in fact, want to engage in the stickers, but also that status was important in this chat community.

Q And how did you learn that?

A The -- that was largely driven by the Consumer Insights team, and from my understanding, they do consumer research with Kik users and look at data to validate some of their hypotheses.

Q And that was new?

That status mattered in the Kik --

A There were hypotheses about status in Kik. The -- there was never a time to actually show status in Kik prior to the -- that product.

BY MR. LEASURE:

Q Did Kik ultimately -- well, let me ask that in a better way.

The MVP that was chosen -- the ability to access status through sticker packs -- was that chosen in part because it was an easier MVP to accomplish?

A I don't know specifically why it was chosen.

Subsequently, this year there was another product rolled out that had other premium content, which is chat themes, and I believe the team is working on a marketplace for that.

So the product that was rolled out at the time of the token sale was very valuable to Kik in gleaned some learnings and also demonstrated user adoption and something that is often referenced by other developers as a proof point of potential to build a consumer application with cryptocurrency.

BY MR. MITCHELL:

Q What learning?

A What learning?

One, that users were adopting this; the amount of content that they were sharing; and was also in conjunction with other consumer insights as to what specifically are the types of premium content.

So the learning from this was users want to express themselves.

There was other research done by the Consumer Insights team as to what specifically are areas that you would like to express yourself. That translated to being custom chat themes, so in Kik today you can purchase a theme that you actually change the background on Kik, which was never possible prior to

My understanding of why MVPs are typically decided on is that it would be able to prove a hypothesis that the Product team had.

In this case, status was something that was a hypothesis but was never live before in Kik.

Q Was the MVP that was chosen -- the ability to access sticker packs -- was it an easier MVP to develop than the others being considered?

A I can't speak specifically to development efforts.

Q Did you ever hear developers indicate that other MVPs might take additional time or resources?

A I had heard of other MVPs that actually would have been easier.

For example, just add a peer-to-peer transaction, which was ultimately not implemented on the app.

Q You think that would have been easier than access to sticker packs?

A From my understanding, yes.

MR. MITCHELL: Why wasn't it done?

THE WITNESS: Why wasn't it done?

Peer-to-peer, in the context of Kik, was seen to have some potential risks on user safety in the Kik app specifically.

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1 If you just opened up, that you could send Kin
2 to one user for -- without -- like, just peer-to-peer
3 without any context of that transaction, would be, from
4 my understanding, an easier product implementation, but
5 presented some risks just given that in an anonymous
6 chat messenger there are certain things that happen that
7 could heighten the risk.

8 BY MR. LEASURE:

9 **Q You could have illegal activity, if that**
10 **happens?**

11 A Potentially.

12 **Q Let me show you another document. I'm marking**
13 **this as Exhibit 111.**

14 (SEC Exhibit No. 111 was marked for
15 identification.)

16 **Can I get the old exhibits back from you,**
17 **actually, Mr. Philp?**

18 A Yes.

19 **Q I'm sorry. We need to do some housekeeping**
20 **here.**

21 **While you're reviewing this, I'll identify**
22 **Exhibit 111 for the record.**

23 MR. CADIGAN: Can we go off the record for a
24 second?

25 MR. LEASURE: Off the record at -- well, I'll

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1 MR. GIBBS: Thank you.

2 MR. LEASURE: Yeah.

3 MR. LENCH: And so the next exhibit you mark
4 will be 111; is that right? You're withdrawing it
5 entirely, just so it's not a matter of public record?

6 MR. LEASURE: Sure.

7 (Whereupon Exhibit 111 was withdrawn from the
8 record.)

9 (SEC Exhibit No. 111 was marked for
10 identification.)

11 **Q All right. I'm marking this document as**
12 **Exhibit 111.**

13 **Counsel, take your copies. Here's copies**
14 **for you.**

15 **Take your time with this document, Mr. Philp.**
16 **Exhibit 111 is a multipage printout of an e-mail**
17 **ending -- e-mail chain ending May 23rd, 2017, with the**
18 **subject Crypto Working Team Weekly. It has Bates stamp**
19 **CoinFund 20066.**

20 **And I'll represent to you my understanding**
21 **that the document -- next -- behind it, beginning with**
22 **CoinFund 19622, is a representation of a Google document**
23 **that CoinFund represented represents the link in the**
24 **attachment.**

25 MR. GIBBS: Can we go off the record?

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1 let you say the magic words.

2 THE VIDEOGRAPHER: Off the record. The time
3 is 4:50 p.m. and 18 seconds.

4 (A recess was taken from 4:50 p.m. to 4:55
5 p.m.)

6 THE VIDEOGRAPHER: We are back on the video
7 record. The time on the monitor is 4:55 and 43 seconds.

8 MR. LEASURE: Back on the record after a brief
9 break during which, Mr. Philp, you had no substantive
10 conversation about this investigation with SEC staff; is
11 that correct?

12 THE WITNESS: Correct.

13 MR. LEASURE: During the break, we had a
14 discussion with Mr. Philp's and Kik's counsel. They --
15 we clarified that this document had recently been
16 identified by Kik's counsel as a document that may be
17 covered by attorney/client privilege. "This" being
18 Exhibit 111.

19 Despite that communication, I marked it as an
20 Exhibit. That was inadvertent, and we're withdraw --
21 the SEC staff will withdraw Exhibit 111.

22 Counsel, did I summarize that conversation
23 correctly?

24 MR. GIBBS: You did.

25 MR. LEASURE: Okay. Fair enough.

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1 MR. LEASURE: Off the record.

2 THE VIDEOGRAPHER: Going off the record. The
3 time is now 4:58 and 26 seconds.

4 (A recess was taken from 4:58 p.m. to 5:11
5 p.m.)

6 THE VIDEOGRAPHER: We are back on the video
7 record. The time on the monitor is 5:11 and 50 seconds
8 p.m.

9 BY MR. LEASURE:

10 **Q On the record after a brief break, during**
11 **which, Mr. Philp, did you have an substantive**
12 **conversations about this investigation with SEC staff?**

13 A No, sir.

14 **Q Because you were stuck in the hallway;**
15 **correct?**

16 A Correct.

17 **Q While you were stuck in the hallway, we've**
18 **decided to not ask you any questions about Exhibit 111**
19 **at this time, and we'll proceed with other parts of this**
20 **examination.**

21 **Counsel, is there anything you want to add or**
22 **clarify to that?**

23 MR. GIBBS: No. I think that's fine.

24 MR. LEASURE: Okay.

25 MR. GIBBS: Thank you.

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1 BY MR. LEASURE:
 2 **Q So as I mentioned, we see some dialogue in**
 3 **e-mails in May and June of 2017 about what exactly**
 4 **should be an MVP for Kik with Kin. Let me show you some**
 5 **documents and see if you can flesh out what we're seeing**
 6 **in the e-mails.**
 7 **I'm marking this document at Exhibit 112.**
 8 **(SEC Exhibit No. 112 was marked for**
 9 **identification.)**
 10 **Take a look at Exhibit 112, and let me know**
 11 **when you're ready.**
 12 **This is a one-page printout of an e-mail with**
 13 **an attachment on the back. The e-mail chain -- the**
 14 **e-mail is dated May 16th, 2017, with the subject Product**
 15 **MVP Description, and it has the Bates stamp Kik 92469.**
 16 **You ready?**
 17 A I'm ready.
 18 **Q Great.**
 19 **What is this document?**
 20 A This document is an e-mail correspondence
 21 between myself, Peter, and Jairaj, who is one of the
 22 engineering and product -- was an engineering and
 23 product employee at Kik at the time.
 24 **Q Jairaj, J-A-I-R-A-J. What's Jairaj's last**
 25 **name?**

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1 A Sethi, S-E-T-H-I.
 2 **Q And did he then report to Mr. Ben-Ari, or**
 3 **somewhere else?**
 4 A I do not know who Jairaj reported to.
 5 **Q Fair enough. He worked generally on product**
 6 **development for Kik?**
 7 A Yes.
 8 **Q And did he work on developing the MVP for the**
 9 **Kin token offering?**
 10 A Yes.
 11 **Q Great.**
 12 **Your e-mail begins: Hey, Peter, worked with**
 13 **Jairaj this morning to outline the MVP and future state**
 14 **of this product.**
 15 **Let me pause there. First, does any of**
 16 **this -- what's the context in which it appears you were**
 17 **talking with Jairaj and outlining the MVP?**
 18 A I was working with Jairaj to put some
 19 substance in the form of documentation around some of
 20 the MVP that he was contemplating.
 21 **Q Do you remember what his views were, at this**
 22 **time or subsequent, about what the MVP should be?**
 23 A I believe Jairaj was looking for some guidance
 24 from the product organization. He is more on the
 25 implementation side, so actually developing the product.

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1 But in terms of -- a product is often generated with
 2 product managers as well who put together the product
 3 spec.
 4 Jairaj is more on the implementation.
 5 **Q So he has to build the thing?**
 6 A He builds it.
 7 **Q Okay. Okay. So I take it if there was**
 8 **pushback about difficulty, time, resources, it might**
 9 **naturally come from Jairaj back to the Product**
 10 **Management team?**
 11 A Correct.
 12 **Q Okay.**
 13 **You have a few notes here. Do you see that?**
 14 A Yes.
 15 **Q You write: Anything above the ability for**
 16 **token holders to send tokens between each other on Kik**
 17 **will require significantly more resources and time.**
 18 **Let me pause there. That -- is that**
 19 **consistent -- I think your earlier testimony was that**
 20 **the -- one of the easier products to develop was**
 21 **peer-to-peer --**
 22 A Yes.
 23 **Q -- is that right? Is that what's being**
 24 **referred to here?**
 25 A Yes.

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1 **Q Okay.**
 2 **So the ability of token holders to send**
 3 **tokens between each other, that's peer-to-peer. And is**
 4 **it right that that was identified as an easier MVP to**
 5 **build?**
 6 A Yes.
 7 **Q Okay.**
 8 **And so was that a consideration at the**
 9 **time?**
 10 **What -- among the different MVPs, which ones may**
 11 **take more resources and time?**
 12 A Sorry, do you mind just repeating your
 13 question?
 14 **Q Of course. It wasn't that well formed.**
 15 **Was one of the things being considered at this**
 16 **time about which MVP to go with, was one of those things**
 17 **being considered the amount of resources and time**
 18 **necessary to build the thing?**
 19 A Yes. In any product process, there's a
 20 resource estimation that is usually made by the
 21 Engineering team.
 22 **Q Okay.**
 23 **Was there any particular pressure on**
 24 **resources and time for the Kin project?**
 25 A Outside of typical analysis of resources to a

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1 product, I don't think there's anything unique about
2 this situation of doing a resource estimation.

3 **Q Okay.**

4 **The next bullet point says: There is**
5 **continuity between MVP and product V1, and the wallet**
6 **the token holders will have will also appear in product**
7 **V1 for the broader user base; however, now running**
8 **off-chain and with more functionality and product.**

9 **I read that, and I didn't fully understand it.**
10 **Can -- are you able to translate that? What you meant**
11 **by that?**

12 A I -- and this was a while ago, so I'm trying
13 to remember exactly what I meant by this.

14 **Q Of course.**

15 A But the combination of this e-mail and then --
16 let me just flip to the chart so I can look at this.

17 **Q Sure.**

18 A So it looks like the key differentiation
19 between MVP and product V1 was an on-chain or off-chain
20 wallet, and at the time in May, one of the things that
21 was considered was a -- which I believe here Jairaj and
22 I had defined as product V1 in parentheses, was an
23 off-chain wallet, and an off-chain wallet would be
24 custodial, so Kik would be the custodian of that.

25 It was something that was originally

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1 decided on as the MVP for the time that the token sale
2 would happen.

3 And the User Distribution was contemplated as
4 having an off-chain wallet for users in Kik that did not
5 participate in the sale.

6 And the reason that there was
7 contemplation of an off-chain wallet was potential to
8 have a different user -- or an expanded user experience
9 from the initial on-chain wallet to an off-chain wallet
10 that everyone would be able to partake in.

11 **Q And so this broad schema represented in the**
12 **three columns, that there would be a crowd sale and then**
13 **a user distribution, that isn't ultimately what happened**
14 **with Kin; correct?**

15 A There has been Kin distributed to Kik users
16 who were not participants in the token sale.

17 **Q All right.**

18 **Power users?**

19 A Power users.

20 **Q Okay. So this is the distribution scheme that**
21 **Kin followed from private sale to crowd sale to a**
22 **distribution?**

23 A Yes.

24 **Q Okay. Keep that document in front of you, if**
25 **you would. Let me show you a document I'm marking as**

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1 contemplated to make a more seamless user experience.
2 That -- there was a decision subsequent to this time
3 period made to actually not pursue a custodial wallet,
4 and there were a number of variables: Namely, that when
5 you're a custodial wallet, you have to go through money
6 services, business licensing per FinCEN.

7 And what was actually very interesting about
8 this was discussions with some other product teams that
9 I believe the Product team had had with, for example,
10 the team at Coinbase that developed Toshi, which is
11 now -- I believe they just re-branded it to Coinbase
12 Wallet.

13 They actually are a non-custodian wallet for a
14 user experience perspective.

15 **Q This -- the chart has a schema between**
16 **Presale; Crowd Sale, parens, MVP; and User Distribution,**
17 **parens, Product V1. Can you explain that to me?**

18 A Yeah.

19 So the three columns here, so Presale
20 would be in the presale to accredited investors, as it
21 outlines here.

22 At the Crowd Sale, having a wallet that was
23 non-custodial, so an on-chain wallet. And at the time,
24 you can show what was defined here high-level -- users
25 can transact peer-to-peer -- which was ultimately not

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1 **Exhibit 113.**

2 **(SEC Exhibit No. 113 was marked for**
3 **identification.)**

4 **Take a look at Exhibit 113, and let me know**
5 **when you're ready.**

6 **Exhibit 113 is a one-page printout of an**
7 **e-mail chain ending May 17th, 2017, with the subject**
8 **beginning Take a Look and Let Me Know if that Makes**
9 **Sense.**

10 A Okay.

11 **Q It has the Bates stamp Kik 92480, and it does**
12 **have an attachment on the back?**

13 A Yep.

14 **Q What is Exhibit 113?**

15 A Exhibit 113 is communication between Jairaj
16 Sethi and myself.

17 **Q Okay.**

18 **And this is also about a potential MVP**
19 **for Kin; is that right?**

20 A Yes.

21 So this attachment in the e-mail with
22 Jairaj, I believe, is the same that was in Exhibit 112.

23 I had worked with Jairaj to take some of the
24 work that he was doing and put this into a chart that
25 was then subsequently shared with Peter in Exhibit 112.

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1 **Q Forgive me, Exhibit 113 is earlier or later in**
2 **time than Exhibit 112?**
3 A It is later.
4 So I guess I worked on this with
5 Peter and maybe shared it with Jairaj? It's the same
6 exhibit.
7 I can't -- I honestly can't remember who this
8 was worked on first versus second.
9 **Q No, and that's fair. The attachment to**
10 **Exhibit 113 has the same sort of Presale, Crowd Sale,**
11 **and User Distribution chart; right?**
12 A Yeah.
13 **Q The the difference I wanted to point to you is**
14 **that if you look down under Product Summary, it seems to**
15 **have a different high-level product summary now in 113.**
16 A Ah, got it.
17 **Q Do you see that?**
18 A Yes.
19 **Q In Exhibit 113, is says -- it's no longer**
20 **about sales participants remitting tokens, as it was in**
21 **112.**
22 **It's about, I think, what looks like sticker packs**
23 **to me; correct?**
24 A Yes.
25 **Q Okay. This was a longwinded wind up that I**

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1 **apologize for. Can you tell me what happened?**
2 A What happened?
3 **Q What -- it -- correct me if I'm wrong. It**
4 **appears that what the MVP would be at the crowd sale**
5 **changes between Exhibit 112 and 113.**
6 **Is that accurate?**
7 A Yes.
8 **Q How did it change?**
9 A It changed because in 112, it was looking at,
10 as you noted, remitting tokens peer-to-peer, and in 113,
11 had moved to the product of users gaining status and
12 getting access to premium content, which describes the
13 product that was launched at the time of the token sale.
14 **Q Absolutely. And what -- I see that change,**
15 **and what I'm asking is outside of the context of the**
16 **e-mails I can read --**
17 A Right.
18 **Q -- why did it change?**
19 A There were discussions with the product and
20 engineering organization, I believe, that led to
21 contemplating a different product to roll out, and I
22 worked with Jairaj to put this into a table.
23 **Q And why was it decided to use sticker packs as**
24 **the MVP as opposed to the ability to remit tokens**
25 **between each other?**

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1 A The remitting tokens, if I recall, was --
2 poses potential safety issues I had mentioned before,
3 just peer-to-peer, on Kik Messenger.
4 The status and premium content was something,
5 prior to these two e-mails, that had been discussed.
6 Status is something I had remembered being discussed for
7 a long time in product and how status could be
8 attributed to users in this chat community.
9 And I believe there was a discussion with not
10 only Jairaj, but some of the other members of the
11 Product team, to define what the MVP for the time of the
12 sale could look like using status and premium content.
13 **Q Did you get feedback at this time from Ted**
14 **Livingston or other members of senior management?**
15 A I believe there was feedback from Ted and
16 other members of management, yes.
17 **Q Okay.**
18 **Let me show you one last document that I think**
19 **might be related to this --**
20 A Okay.
21 **Q -- to see if it clarifies things.**
22 MR. MURTHA: Can -- before you do that, who
23 from product development was involved with those
24 conversations?
25 THE WITNESS: So Jairaj for sure, I believe

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1 Eran was involved as well, and I cannot recall who else
2 from the Product team would have been involved.
3 BY MR. LEASURE:
4 **Q Okay.**
5 **(SEC Exhibit No. 114 was marked for**
6 **identification.)**
7 **I've marked this document as Exhibit 114.**
8 **It'll take a bit of explanation, because some of the**
9 **text of this document was cut off in the image --**
10 A Okay.
11 **Q -- in the way it was produced to us. I can**
12 **explain what's missing.**
13 **Exhibit 114 is a multipage printout of an**
14 **e-mail chain ending May 18th, 2017, with the possibly**
15 **unfortunate subject of Privileged and Confidential. It**
16 **has -- it begins with the Bates stamp Kik 103093.**
17 A Okay.
18 MR. DE JARNETTE: Actually, can we go off the
19 record again?
20 MR. LEASURE: Of course we can. Off the
21 record.
22 THE VIDEOGRAPHER: Going off the record. The
23 time is 5:28.07.
24 (A recess was taken from 5:28 p.m. to 5:32
25 p.m.)

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1 THE VIDEOGRAPHER: We are back on the video
2 record. The time on the monitor is 5:32 and 36 seconds.

3 MR. LEASURE: Back on the record after a brief
4 break.

5 **Q Mr. Philp, did you have any substantive**
6 **conversations about this investigation with SEC staff?**

7 A No, sir.

8 **Q No more questions for today. We appreciate**
9 **your time, and we will see you tomorrow.**

10 A Looking forward to it.

11 THE VIDEOGRAPHER: This concludes today's
12 videotaped deposition. This is disk three of three.
13 We're going off the record. The time is now 5:33 and 4
14 seconds p.m.

15 (Whereupon, at 5:33 p.m., the examination
16 was concluded.)

17 * * * * *

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REPORTER'S CERTIFICATE

1
2
3 I, TASIANA BASDEKIS, reporter, hereby certify
4 that the foregoing transcript is a complete, true
5 and accurate transcript of the matter indicated, held
6 on 8/20/2018, at Washington, D.C.
7 in the matter of:

8 KIK INTERACTIVE.

9 I further certify that this proceeding was recorded
10 by me, and that the foregoing transcript has been
11 prepared under my direction.

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Date: 8/20/2018

Official Reporter: TASIANA BASDEKIS

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PROOFREADER'S CERTIFICATE

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10 This is to certify that I, Christine Boyce, (the
11 undersigned) do hereby swear and affirm that the
12 attached proceedings before the U.S. Securities and
13 Exchange Commission were held according to the record,
14 and that this is the original, complete, true and
15 accurate transcript, which has been compared with the
16 reporting or recording accomplished at the hearing.

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(Proofreader's Name) (Date)

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APPEARANCES:

On behalf of the Securities and Exchange Commission:

JEFFREY G. LEASURE, ESQ.

BRENT S. MITCHELL, ESQ.

JAMES F. MURTHA, ESQ.

Division of Enforcement

100 F Street, N.E.

Washington, DC 20002

(202) 551-2240

DAVID S. MENDEL, ESQ.

Office of General Counsel

100 F Street, N.E.

Washington, DC 20002

(202) 551-2240

On behalf of the Witness:

KENNETH R. LENCH, ESQ.

Kirkland & Ellis, LLP

655 Fifteenth Street, N.W.

Washington, DC 20005

(202) 879-5000

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APPEARANCES(CONT.):

On behalf of the Witness:

PATRICK E. GIBBS, ESQ.

LUKE T. CADIGAN, ESQ.

BRETT DE JARNETTE, ESQ.

Cooley, LLP

3175 Hanover Street

Palo Alto, CA 94304

(650) 843-5535

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WITNESS: EXAMINATION

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EXHIBITS DESCRIPTION IDENTIFIED

115 E-Mail Chain Ending 6/17/2017 315

116 E-Mail with Attachments 6/26/2017 320

117 E-Mail with Attachment 6/28/2017 320

118 E-Mail Chain Ending 7/6/2017 344

119 E-Mail with Attachment 6/14/2017 366

120 E-Mail Chain Ending 5/24/2017 397

121 Document Timestamped 9/6/2017

at 7:32 p.m. 438

122 Document Timestamped 9/6/2017

at 7:39 p.m. 438

123 E-Mail Chain Ending 8/29/2017 457

124 E-Mail with Attachment 11/30/2017 470

125 E-Mail Chain Ending 11/8/2017 500

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PROCEEDINGS

THE VIDEOGRAPHER: This begins disk number one, volume two. We are back on the record. The time on the video monitor is 9:29 and 33 seconds a.m.

MR. LEASURE: Thank you. Back on the record for the second day of Mr. Philp's testimony.

Whereupon,

TANNER PHILP

was re-called as a witness and, having been previously duly sworn, was examined and testified further as follows:

EXAMINATION

Q Mr. Philp, do you understand that you remain under oath?

A Yes.

Q Thank you.

I'm going to show you a document marked Exhibit 114.

Counsel, you guys might -- I don't know if you have your extra copy. That's all -- I'm down to that. Okay.

I'll identify it for the record, and I'll tell you some of the text on the right side of these e-mail chains is missing from this image and so I'll just have to identify what the text says, as I understand it.

This is a document Bates stamped Kik 103093

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1 dated May 18th of 2017, with the subject Privileged and
2 Confidential.

3 Do you recognize this document?

4 A I do not. There are parts of this document I
5 do.

6 Q Okay. So I'll represent to you, as far as I
7 can tell from the metadata that accompanied this, you
8 were on this e-mail chain, I think, until the 10:15 p.m.
9 e-mail that's on the start of page 1. Do you see your
10 e-mail address --

11 A Yes.

12 Q -- on that e-mail chain?

13 A I recognize some of this document.

14 Q Okay. And I'll represent to you, I don't know
15 if you're -- it appears that you're not on the last
16 three e-mails here.

17 A Correct.

18 Q And I won't be asking you too much about that,
19 but at this time, you were not a recipient still on the
20 exec@kik.com?

21 A Correct.

22 Q Okay. Great.

23 Let's go through the beginning, where you are
24 on the chain.

25 A Okay.

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1 Q Maybe walk through a few of the things
2 further. The first e-mail, it appears you wrote at
3 what's listed at 2:51 p.m. on the third page. Do you
4 see that?

5 A Yes.

6 Q Okay. This, again, is missing some text on
7 the right. I'm just going to have to read to you what I
8 -- was in the metadata for this.

9 A Okay.

10 Q Okay? You write: Hi, all. Thanks for taking
11 the time on the call today. Below are the next steps in
12 getting to our deliverable of an outline to the board on
13 our approach to the announcement and sale.

14 And then the text continues. Any idea what
15 the call was you're referring to there?

16 A I believe this was an update call between
17 members of the Kik team, including members of
18 management, talking about the preparation for an updated
19 board presentation.

20 Q Okay. And was the board presentation about
21 any topic in particular?

22 A It was around the announcement of Kin and the
23 sale.

24 Q Got it. This is right before the white paper
25 and the public announcement?

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1 A Correct.

2 Q Okay. Was the -- we've seen other e-mails --
3 and, in fact, this e-mail goes a bit into MVP. Was the
4 MVP being discussed with the board around this time?

5 A I believe there was a discussion with the
6 board at this board meeting. I don't recall if there
7 was discussion prior to the board meeting.

8 Q Did you attend that board meeting?

9 A I did not.

10 Q Okay. How do you know about the discussion
11 then, if you do?

12 A It was part of the outline for the board
13 presentation.

14 Q Fair enough. Okay.

15 And do you know if the board had views on the
16 MVP as a result of that discussion?

17 A I do not.

18 Q Fair enough.

19 Let me go a little bit up the chain. And,
20 again, a bit of the text is missing. At what appears to
21 be 12:20 a.m., which I hope it wasn't, you wrote:
22 Adding Eran. We just had a discussion on this, and he
23 raised some strong points we need to consider with this
24 proposed MVP.

25 So the text missing from this image is "we

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1 need to consider."

2 A Yep.

3 Q I don't know if that changes much, but can you
4 tell me about any discussions, either here or --
5 referenced here or elsewhere, that you had with Eran
6 about the proposed -- a proposed MVP?

7 A I don't recall the specific discussion.

8 Q Okay.

9 A There was work being done by Jairaj on what a
10 proposed MVP would look like, as he would be the one
11 building it.

12 Q Right.

13 A Eran, being the lead of the product
14 organization, was also looking at the proposed spec,
15 both with user functionality and implementation, and I
16 believe had some feedback on this.

17 Q Okay. Is the feedback from Eran the next
18 e-mail on this chain, in your view? You see he writes
19 at 5:33 p.m.?

20 A Yes.

21 Q Okay. This one is cut off as well, so let me
22 read some of the text, as I understand it, and maybe you
23 can help me understand it.

24 Eran writes: Hi, all. Crypto can be of great
25 potential for building communities, but can also

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1 negatively impact on Kik users if not introduced in the
2 right way.

3 **Kik intends to introduce Kin gradually to Kik**
4 **users using the long and short processes, a lot of**
5 **experimentation, and customer validation.**

6 **So again, some of the missing pieces there**
7 **were it seems like he's referring to a negative impact**
8 **on Kik users and then using a long and short process.**

9 **I'm not a product person. Can you help me**
10 **translate what your understanding of what Mr. Ben-Ari**
11 **means by that paragraph?**

12 A So I believe, at the time -- introducing a new
13 product to users which they've never seen before can
14 obviously have positive or negative impact, depending on
15 how it is implemented.

16 I believe at the time -- and I don't recall
17 specifically because it was a while ago -- this may have
18 been some of the feedback around peer-to-peer, as we
19 talked about yesterday, and having an impact of having a
20 peer-to-peer-type product at the outset.

21 And I believe that may have been where some of
22 his concerns were coming from in terms of introducing a
23 negative user experience.

24 He then references, in the second sentence,
25 about introducing Kik gradually through that short and

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1 a peer-to-peer transaction?

2 A There were things that the Product team wanted
3 to build before introducing peer-to-peer functionality,
4 including increased privacy controls and other safety
5 measures. So there was some groundwork that wanted to
6 be done from the product organization before
7 implementing a peer-to-peer transaction.

8 **Q And tell me if I'm wrong. Is part of the**
9 **concern protecting privacy, anonymity, safety of**
10 **children, that kind of thing, on the Kik network?**

11 A A lot of it relates to the fact that Kik is
12 username-based, and those -- some of those privacy
13 concerns you mentioned.

14 **Q Okay. Okay. So people at -- in terms of**
15 **product development, it sounds like there were a number**
16 **of people at Kik who didn't want Kik to be -- I'm sorry,**
17 **who didn't want Kin to be tradeable right away on the**
18 **Kik network without some additional product features and**
19 **privacy protections?**

20 A Within Kik specifically, they -- product --
21 the feedback that I had heard was that the Product team
22 wanted to be very specific about how peer-to-peer was
23 rolled out in the product, again looking at the short
24 and long product process that takes into account which
25 users it's released to and actually how it's

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1 long product process. As we mentioned yesterday:
2 Release an MVP that has enough data that can allow the
3 Product team to iterate and expand in that short and
4 long product process.

5 **Q Okay. So the concerns Mr. Ben-Ari had, it's**
6 **your understanding, related to concerns over introducing**
7 **peer-to-peer transaction functionality inside Kik?**

8 A I don't recall specifically. I know that was
9 a concern at the time. I don't know if that is the
10 specific concern he's referencing in this paragraph.

11 **Q Fair enough. And did -- was that a concern**
12 **others had at Kik other than -- well, go ahead.**

13 A There were others at the organization that had
14 concerns about peer-to-peer.

15 **Q What about you?**

16 A I, as well, had some concerns about just
17 peer-to-peer within Kik after speaking with some of the
18 members of the product organization that spent more time
19 looking at some of the user data and they expressed some
20 of their concerns.

21 **Q Okay. So this is a concern shared within Kik?**

22 A Yes.

23 **Q And is that, in part, a function -- that**
24 **concern about the possibility, is it fair to say, for**
25 **mischief or unwanted types of transactions on Kik using**

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1 implemented.

2 **Q Okay.**

3 **The next paragraph in Mr. Ben-Ari's e-mail**
4 **reads: The MVP has an objective to satisfy compliance**
5 **requirements. To do so without jeopardizing this**
6 **project, I would suggest to make sure this is balanced**
7 **with as little exposure to non-token Kik users.**
8 **Reviewing the MVP proposal, I think we need to address**
9 **the following.**

10 **And it goes on from there. Let me pause**
11 **though on that. Is it true that the MVP had an**
12 **objective to satisfy compliance requirements?**

13 A The product development around the initial
14 product was -- the compliance requirements were a
15 consideration, understanding that per the Howey Test,
16 being able to use Kin -- buying Kin to use Kin -- was an
17 objective, and the company was aware of the legal
18 analysis around product development. Some of that was
19 based on conversations with attorneys.

20 This was not the only objective. There are
21 business considerations as well about having a
22 functional product that users use such that Kik can
23 extract data to be able to iterate on that product as
24 well as showcase to other developers --

25 **Q Okay.**

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1 A -- that there is a functional use case here.
 2 Q And we discussed that yesterday. To -- just
 3 so I'm clear: It's your understanding the compliance
 4 requirements referred to here relate to securities laws
 5 and the Howey Test?

6 A That is one of the compliance requirements
 7 that was outlined by Eran, yes.

8 Q Okay. Were there other -- were there --

9 A I don't know specifically which compliance
 10 requirements he's referring to here, but that was a
 11 large topic of discussion.

12 Q Okay.

13 The further text -- and I don't want to make
 14 you read through all of it, because there is additional
 15 text missing -- would you -- this appears to discuss --
 16 does this appear to discuss the possible MVPs being
 17 considered, among them sticker functionality?

18 A Yes.

19 Q Okay. And the subsequent parts of this e-mail
 20 chain, would you agree that there appears to be a
 21 discussion about whether to go with stickers or some
 22 other alternative?

23 A Yes.

24 Q Okay. And we can obviously read the text of
 25 the e-mail. Do you remember anything -- offline

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1 discussions about -- around this time about stickers
 2 versus other alternative MVPs?

3 A I recall that there was a -- the two main
 4 components was status and having an opportunity for
 5 users to display status, given the importance that was
 6 identified by the Product team of that in a chat
 7 community, something that had been talked about even
 8 prior to this MVP discussion, and some discussions
 9 around premium content.

10 Q Okay. Ted Livingston, at 14:04 -- that's in
 11 the middle of the second page?

12 A Yep.

13 Q He writes: Jairaj, what is the development
 14 time difference between stickers and screenshot? I.E.,
 15 if we -- I -- forgive me -- one path versus the other,
 16 what is the minimum time to launch each?

17 What's the screen -- do you understand what
 18 the screenshot is he's referring to?

19 A I believe the screenshot was something related
 20 to status and being able to display status in some form.
 21 I don't know specifically what the screenshot would be
 22 of.

23 Q Okay. I don't know if the response that
 24 Jairaj wrote -- he writes: Sharing verified balance as
 25 a special content message could be done in one day.

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1 Stickers would require four days plus time to get
 2 premium content. No idea how long that would take.

3 Can you unpack that for me? Do you understand
 4 what sharing verified balance as a special content
 5 message is?

6 A So I believe the sharing verified balance was
 7 around status, and status being tied to how much Kin you
 8 own. That is likely what Ted was referring to as a
 9 "screenshot," potentially as an implementation of
 10 sharing a verified balance.

11 Q Did -- is that something that was the ultimate
 12 MVP or not?

13 A There was status given based on the amount of
 14 Kin that someone owned. It was not a screenshot. It
 15 was an actual wallet in Kik that linked to the balance
 16 of someone's amount of Kin that they owned.

17 Q So on day one, if I had bought Kin, I would
 18 have a wallet within Kin that would show the
 19 amount of Kin -- could show the amount of Kin I held?

20 A In Kik.

21 Q In Kik.

22 A Yes.

23 Q I apologize.

24 A It's okay.

25 Q First thing in the morning.

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1 And I could also access sticker packs that
 2 were unlocked based on the amount of Kin I held?

3 A Yes.

4 Q I couldn't transfer that Kin on the Kik app?

5 A Correct.

6 Q Okay. Okay.

7 So I want to point you to one other line in
 8 this e-mail chain, just it might queue up some
 9 additional questions I have about what happens later in
 10 time.

11 Jairaj writes -- at 11:21 a.m., on the bottom
 12 of page 1, he writes: "Decision made. We're going
 13 sticker pack flow. Eran will hook me up with content,
 14 and I'll build the thing."

15 The last bit of that was "thing."

16 A Yep.

17 Q So would you agree that at this point in --
 18 let me not ask would you agree.

19 Do you recall that in late May a sense or a
 20 decision was made that the sticker packs were going to
 21 be the MVP?

22 A Sticker packs and status was the -- my
 23 understanding of what would be the MVP, the combination
 24 of the two.

25 Q And that's ultimately what, in your view, the

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1 MVP was in September?
 2 A Yes.
 3 Q Okay. I'll take that back from you.
 4 The reason I'm asking about that is because we
 5 still see subsequent sort of dialogue and back and forth
 6 not just on stickers and what they should look like, but
 7 whether it should be another MVP going on, still in
 8 June.
 9 A Okay.
 10 Q Like, a month after this e-mail chain we just
 11 looked at.
 12 Do you have any recollection of that?
 13 A I recall there was continued discussion around
 14 the product spec as the Product team became more
 15 involved in this process.
 16 Q Did -- at the time -- late May, early June --
 17 was Kik starting to identify potential participants in
 18 the private sale?
 19 A Yes.
 20 Q Like Pantera and the like?
 21 A Yes.
 22 Q Did they give feedback on when the product
 23 should be launched and what the MVP should be?
 24 A I don't recall specific product discussions.
 25 I recall that there was some suggestions about

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1 Pantera as a potential private sale purchaser of Kin?
 2 A Yes.
 3 Q Were Pantera significant -- did they wind up
 4 being significant or large participants in the SAFTs?
 5 A Yes.
 6 Q Okay. Do you roughly have a ballpark for how
 7 much they invested?
 8 A 15 million.
 9 Q Okay. Out of the 50 that was ultimately --
 10 A Correct.
 11 Q Okay.
 12 Who's -- there's another person on the -- at
 13 least the CC line, Paul Vera -- I'm just going to spell
 14 his name. V-E-R-A-D-I-T-T-A-K-I-T.
 15 Who was Paul?
 16 A Paul Veradittakit, for future reference, too.
 17 He's a nice guy.
 18 Q No doubt.
 19 A He is a partner at Pantera.
 20 Q A partner of Dan's?
 21 A Yes.
 22 Q Okay. And would you agree that Dan was
 23 enthusiastic about the crypto space during this time?
 24 A Yes.
 25 Q That he was working at a hedge fund that was

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1 AirDropping a lot of Kin to a lot of Kik users and just
 2 giving them a balance of Kin at the outset. That would
 3 be what I do recall of discussions with some of the
 4 presale participants.
 5 Q And we might turn to that AirDrop later on
 6 today.
 7 Did any of the potential SAFT purchasers push
 8 for Kik to do a public sale as soon as it could?
 9 A Not that I recall.
 10 Q Okay.
 11 I'm marking a document as Exhibit 115.
 12 (SEC Exhibit No. 115 was marked for
 13 identification.)
 14 Take a look at Exhibit 115, and let me know
 15 when you're ready. While you're reviewing it, I'll
 16 identify at as multipage printout of an e-mail chain
 17 ending June 17th, 2017, with the subject Kin Presale,
 18 and it has the Bates stamp PANT459.
 19 You ready?
 20 A I am ready.
 21 Q Excellent. What is this document?
 22 A This is an e-mail exchange between myself and
 23 Dan Morehead from Pantera.
 24 Q Okay. And am I interpreting this right that
 25 there's already been dialogue and discussion with

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1 investing in crypto assets?
 2 A Yes.
 3 Q Okay.
 4 Let me point you to the beginning of this
 5 e-mail chain. Dan, on the bottom of the second page
 6 here, writes to you and Peter, copying Paul: Peter and
 7 Tanner, thank you for including us in your thought
 8 process. Happy to offer free advice.
 9 What was the thought process or discussion you
 10 were having with Pantera at this time?
 11 A The discussion with Pantera was largely around
 12 their participation in the token sale. They made some
 13 introductions to some other people who they felt were
 14 very interested in also participating in the presale for
 15 Kin.
 16 Q Was there -- there's a reference in his e-mail
 17 chain to the possibility of waiting six to eight months.
 18 Do you see that?
 19 A Yes.
 20 Q Was that something Kik was considering at the
 21 time?
 22 A I don't believe this was a serious
 23 consideration from the company at the time.
 24 Q He writes: Bottom line, the plan you set
 25 upfront is great.

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1 Was there -- can you translate for me? Was
2 there consideration of changing an upfront -- an initial
3 plan?

4 A I believe the initial plan was to do half
5 presale and half public sale: A presale to firms that
6 were accredited investors through the SAFT, and then a
7 public token distribution event.

8 Q Okay. And, I'm sorry, but was there -- this
9 appear -- would you agree with me that this e-mail
10 appears to reflect some idea of a fundamental change to
11 the plan for the project?

12 A I believe Dan was making some potential
13 suggestions, but it was not a serious consideration of
14 the company to wait six to eight months.

15 I know Peter had had some discussions with Dan
16 as well, via phone, that I was not a part of, so there
17 may have been some discussions there.

18 BY MR. MITCHELL:

19 Q What did Peter tell you about that?

20 A Peter had talked to -- he let me know that he
21 had had a phone conversation with Dan about having
22 broader participation in the presale, because Pantera
23 wanted to purchase essentially half of the presale, and
24 he had had some discussion with Dan about reducing their
25 participation to allow for more people to participate in

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1 the presale.

2 Q Did -- so were you -- in this time period,
3 sort of middle of June, were people within Kik talking
4 about possibly delaying the sale? The public sale.

5 A At the time in June, there was not a specific
6 date for the public sale, and there was some discussion
7 about when to do the public sale.

8 Q So who was involved in that?

9 A Management of Kik.

10 Q What were the options you were discussing?

11 A There -- the initial target, I believe, was
12 beginning of Q3, and it ultimately ended up getting
13 pushed to end of Q3.

14 Q Okay.

15 Originally, we were -- the documents we talked
16 about before seemed to suggest that Kik was discussing
17 holding the public sale once it created the MVP that
18 relates to status and stickers. Am I right about that?

19 A Holding the sale even after the product was
20 released? Sorry.

21 Q Yeah. What -- the sale that -- Kik was
22 discussing having that sale -- having the public sale
23 once it had created this MVP of -- that involved status
24 and stickers?

25 A Yes.

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1 Q Okay. Was there discussion within Kik of
2 timing the sale to some event other than that MVP?

3 A Not that I'm aware of.

4 BY MR. LEASURE:

5 Q I will take that back from you, Mr. Philp.
6 Thank you.

7 I'm going to show you two documents. As far
8 as I can see, you are not personally on these documents
9 but --

10 A Okay.

11 Q -- I just want to show you some of the content
12 and see what you know about it.

13 (SEC Exhibit No. 116 was marked for
14 identification.)

15 This is Exhibit 116.

16 A Thank you.

17 (SEC Exhibit No. 117 was marked for
18 identification.)

19 Q This is Exhibit 117.

20 Exhibit 116 is a one-page -- multipage
21 printout of an e-mail dated June 26th, 2017, with the
22 subject Completed Board Resolutions Relating to SAFT
23 Private Placement. It includes some attachments. I
24 believe I've only included the first attachment. It has
25 Bates stamp Kik 103324.

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1 Exhibit 117 is a one-page printout of an
2 e-mail chain ending June 28th, 2017, with the subject
3 Signed Resolutions. It has one attachment, and it
4 begins in Bates stamp Kik 117728.

5 Tell me when you're ready.

6 These documents appear to contain, correct me
7 if I'm wrong, resolutions of the Kik board of directors?

8 A It appears that way.

9 Q Okay. Were you involved in board meetings
10 around this time? Late June of 2017.

11 A No.

12 Q Okay. Did you ever have occasion to hear of
13 these resolutions made by the board?

14 A No.

15 Q Would you agree that these board resolutions
16 contemplate two different preconditions for the token --
17 Kin token distribution event to take place?

18 A Sorry, I haven't seen these before, so I'd
19 like to read them first.

20 Q Of course. Take your time.

21 MR. LENCH: Jeff, do you want to point the
22 Witness to the parts of the two documents that you want
23 him to focus on?

24 MR. LEASURE: Sure. I'd be happy to.

25 MR. LENCH: Okay.

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1 BY MR. LEASURE:
2 **Q Tell me when you're ready, Mr. Philp. I don't**
3 **want to interrupt you.**
4 A If you would to -- you can point me to the
5 areas --
6 **Q Absolutely.**
7 A -- and I'll review those.
8 **Q Let's take to look at Exhibit 116. That's the**
9 **one on June 26th.**
10 A Yep.
11 **Q There's a lot of "whereases." Do you see**
12 **that?**
13 A Yep.
14 **Q The whereas right before the redacted piece**
15 **states: Whereas the corporation proposes to raise up to**
16 **an additional \$50 million in a public distribution event**
17 **once the Kin ecosystem is built out.**
18 **And then, in Exhibit 117, the second whereas**
19 **says: Whereas the corporation proposes to offer for**
20 **sale to the public an app coin called Kin at such time**
21 **as the corporation can introduce the MVP.**
22 **And the MVP is defined after the signatures.**
23 **Do you see that?**
24 A Yep.
25 **Q And so my initial question was would you agree**

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1 **that these resolutions appear to reflect at least**
2 **different language as to the preconditions to be in**
3 **place before Kik initiated the token distribution event?**
4 MR. LENCH: I don't like to object, and he can
5 answer the question, but I will point out he's testified
6 he hasn't -- you know, he wasn't part of these
7 documents.
8 MR. LEASURE: Okay.
9 MR. LENCH: So with that proviso, he can
10 answer.
11 THE WITNESS: The difference in language I see
12 here is "Kin ecosystem built out" and "introduce MVP."
13 BY MR. LEASURE:
14 **Q Right. I understand you haven't seen these**
15 **documents; correct?**
16 A Correct.
17 **Q Before. And I understand you don't -- you**
18 **never discussed these board resolutions with anyone at**
19 **Kik?**
20 A Correct.
21 **Q Okay. The reason I'm showing them to you is**
22 **you worked at Kik at the time; right? And you were**
23 **working on the Kin project; correct?**
24 A Correct.
25 **Q Can you help me understand what appears to me**

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1 **to be board resolutions two days apart with at least**
2 **different language concerning what should be in place**
3 **before the Kin token distribution event?**
4 A All of the discussions that I was aware of
5 were around having the product in place. I obviously
6 was not part of these meetings, so I can't speak to how
7 people viewed the difference between "ecosystem built
8 out" and "MVP," but the way I read these is that an MVP
9 is the ecosystem built out because it would be a live
10 product that users can use and would be a showcase to
11 other developers that can also participate in the
12 ecosystem.
13 **Q So in your view, the token distribution event**
14 **that actually happened with the MVP that accompanied it**
15 **reflected a built-out Kin ecosystem?**
16 A Yes.
17 **Q Then has Kik stopped working on the Kin**
18 **ecosystem?**
19 A No.
20 **Q Despite the fact that it was built out at the**
21 **time it was introduced?**
22 A Built out, I believe, is a relatively nebulous
23 term. I think that an ecosystem continues to evolve and
24 is never at a point in time where there's a final state.
25 BY MR. MITCHELL:

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1 **Q What do you think "built out" means?**
2 A I think "built out" is -- I can't speak
3 specifically to what "built out" means to every person,
4 but to me, "built out" means that the ecosystem,
5 especially in this case that is decentralized and will
6 continue to evolve, has something live that people are
7 using.
8 **Q So what if there hadn't been a sticker or**
9 **status product at all? Would that ecosystem have been**
10 **built out?**
11 A The ecosystem would be built out if someone
12 can build on the ecosystem.
13 **Q Right. So as soon as I -- if I just left here**
14 **right now and put a trillion coin -- tokens on the**
15 **Ethereum network and gave them out to people, people**
16 **could build on that; right?**
17 A People can build anything that they want that
18 integrates a -- if you're talking about an ERC-20 token
19 that anyone could implement, you could make an argument
20 that the ecosystem around that, if people are using it,
21 then it is "built out."
22 **Q Yeah. I understand your -- that. I'm just**
23 **asking you, do you think -- what -- we're trying to**
24 **understand what you think "built out" means.**
25 A I don't know what "built out" in this scenario

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1 means. I would not use that verbiage.

2 **Q Okay. So sitting here today, do you know**
3 **whether these two developments are talking about the**
4 **same precondition?**

5 A I was not part of the meeting and have never
6 seen these documents, so I can only make an assumption
7 and interpret, and I read these the same.

8 **Q You read them the same because "built out"**
9 **means what?**

10 A "Built out" means that people are
11 participating in the ecosystem.

12 **Q In any way?**

13 A In any way.

14 **Q And would -- if Kik had just put out -- just**
15 **issued the tokens and done nothing else, could people**
16 **have participated?**

17 A Yes.

18 **Q Okay.**

19 **So you read this -- do you read the**
20 **text in Exhibit 116 to mean that Kik -- that the**
21 **corporation proposes to raise \$50 million in a public**
22 **distribution event once Kin -- once Kik issues the**
23 **public tokens?**

24 A I don't know what is meant by this specific
25 "resolution of the Kin ecosystem is built out," given it

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1 is a relatively nebulous term.

2 I sit here today as someone that works at a
3 product company.

4 Looking at this, that a -- when I talk
5 about an ecosystem being "built out" is that people are
6 using it and people are contributing to that network.

7 And as a person that works at a product
8 organization, I recognize the importance of having a
9 product that people can interact with.

10 **Q Okay.**

11 **So the day before the token**
12 **distribution event, could anybody -- before the Kin**
13 **tokens were distributed, could anybody participate?**

14 A Without the tokens?

15 **Q Yeah.**

16 A If someone does not have a token, I don't know
17 how they would participate in the token ecosystem.

18 **Q Right.**

19 **So that's why -- I'm just trying to**
20 **understand why you're -- the way you're -- at least the**
21 **way that you're saying that, you understand the term**
22 **that the Kin ecosystem is "built out"?**

23 A I'm drawing a lot of conclusions, because I've
24 never seen this before and I don't know what was
25 intended by the language of "Kin ecosystem built out."

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1 **Q Right.**

2 **Do you remember anybody discussing, in June, a**
3 **possibility of delaying the public sale until there had**
4 **been -- more had been done other than the MVP that**
5 **related to status and stickers?**

6 A I believe there were a lot of discussions on
7 what was to be built from the product side, both from
8 people within the product organization and outside of
9 the product organization, and ultimately the product
10 organization and management makes the call on what is
11 going to be built and when it is released.

12 **Q So did people discuss the idea of delaying the**
13 **public sale until more work had done -- been done beyond**
14 **the MVP?**

15 A I believe there may have been some discussions
16 about that.

17 I don't recall specific ones.

18 **Q Do you remember who was involved?**

19 A I believe there were discussions happening at
20 the management level and I do not recall who
21 specifically had some of those discussions.

22 I believe Peter may have asked some questions
23 about the development of the product. He's not in the
24 product organization, but that is the extent of my
25 recollection of those discussions.

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1 **Q Did Peter have an inclination to delay the**
2 **sale until the -- more had been done than just the MVP**
3 **that was about stickers and status?**

4 A I believe Peter was raising some questions as
5 to if this product would garner enough data for the
6 Product team to make iterations in the short and long
7 process.

8 Ultimately, Peter is not a part of the product
9 organization.

10 I don't want to speak for him either, but
11 I do recall he was asking some questions as to whether
12 or not this product would be -- fall within what we
13 would classify as an MVP in any type of a product
14 development.

15 **Q Because he had a concern it wasn't?**

16 A He had questions.

17 **Q Okay. What were -- questions --**

18 A He had questions if this would satisfy the
19 definition of an MVP that would, when we talk about an
20 MVP, have user adoption and generates data that a
21 Product team can then feed into the short and long
22 process, and he was asking questions if that, in fact,
23 would be the case.

24 **Q Did people answer his questions?**

25 A I don't know.

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1 BY MR. LEASURE:
2 **Q Did he have questions about whether this was a**
3 **real MVP or not?**
4 A I think that goes back to my previous answer
5 of the definition of an MVP being something has user
6 adoption and generates data that can then be fed into
7 the short and long process.
8 He was asking questions if that would, in
9 fact, be the case with this product.
10 **Q Yeah.**
11 A It's the same answer.
12 **Q Understood.**
13 **I'm taking your answer to mean he**
14 **had some questions about whether what was being**
15 **considered really met the definition of an MVP. Would**
16 **you agree with that?**
17 A I believe some of his questions may have been
18 around that, yes.
19 **Q Okay.**
20 **But you don't know how that was**
21 **resolved?**
22 A No.
23 **Q Is it possible the board resolutions that I**
24 **put in front of you -- I understand you hadn't seen**
25 **them -- reflect some of that concern by Peter?**

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1 A I don't know.
2 **Q You don't know either way?**
3 A No.
4 **Q Okay.**
5 MR. MITCHELL: Do you want me to take 116 and
6 117 back?
7 MR. LEASURE: Yes, thank you.
8 **Q I'm handing you a document that's previously**
9 **been marked as Exhibit 35. Exhibit 35 is a one-page**
10 **image Bates stamped Kik 1126.**
11 **What is this?**
12 A This is a honey badger riding a BMX bike.
13 **Q Okay.**
14 **Was this one of the images included in**
15 **the sticker packs?**
16 A Yes.
17 **Q Okay. Is there -- you -- there's been a**
18 **reference to status.**
19 **How -- does this reflect -- let me**
20 **ask that in a better way.**
21 **I understand that if you -- if you -- the**
22 **stickers were tiered according to the amount of Kin that**
23 **a user held; is that right?**
24 A Yes.
25 **Q How is that reflected on this sticker?**

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1 A This sticker would only be able to be owned by
2 someone who had the status that corresponded with the
3 availability of this sticker.
4 **Q Okay. Got it. So if I owned less than the**
5 **amount of Kin necessary to acquire this particular**
6 **sticker, I might have something else, not this one?**
7 A Yes.
8 **Q Okay.**
9 **How were these made?**
10 A There was a sticker artist, I believe, that
11 was contracted by the Product team.
12 **Q You -- did you work on that project?**
13 A No.
14 **Q Okay. Thanks, I'll take it back.**
15 **How were -- I want to talk for a bit about**
16 **SAFTs. How were -- well, let me back up**
17 **chronologically.**
18 **After the announcement at the Token Summit,**
19 **did Kik run a roadshow?**
20 A Kik, after the Token Summit, went to multiple
21 cities, spoke on some panels at some conferences, met
22 with some people in those cities, and also Ted did some
23 fireside chats with local media.
24 **Q Did you go?**
25 A Yes.

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1 **Q Which cities did you go to?**
2 A I was in San Francisco and London, I believe.
3 **Q And did Ted Livingston or others go to other**
4 **cities as part of this roadshow?**
5 A I believe there was a subsequent trip to New
6 York.
7 **Q So in the United States, there were events**
8 **held in San Francisco and New York; is that right?**
9 A Yes.
10 **Q Anywhere else?**
11 A Not that I recall.
12 MR. MITCHELL: Was there a trip to China?
13 THE WITNESS: No.
14 BY MR. LEASURE:
15 **Q Was there consideration of a trip to China?**
16 A At one time there was consideration of a trip
17 to China.
18 **Q We see references to going to Shenzhen,**
19 **S-H-E-N-Z-H-E-N.**
20 A Ted did go to Shenzhen, I forgot. Sorry.
21 **Q That's okay.**
22 MR. MITCHELL: That's why we're here.
23 BY MR. LEASURE:
24 **Q You didn't go to --**
25 A I did not go to Shenzhen. I would have

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1 remembered if I went to Shenzhen.

2 **Q That's a memorable city.**

3 **Did -- Kik didn't ultimately sell Kin to**
 4 **Chinese users; is that right?**

5 A Correct.

6 **Q Okay.**

7 MR. MITCHELL: Sorry, and this -- these events
 8 that you just discussed were in order to tell people
 9 about the Kin project and the idea of selling Kin
 10 tokens?

11 THE WITNESS: Correct.

12 BY MR. LEASURE:

13 **Q And was there -- you've heard me say**
 14 **yesterday, I think ad nauseam, target audience. Was**
 15 **there a target audience for the roadshow in particular?**

16 A Largely, developers of consumer applications.

17 **Q Okay.**

18 **So this was focused on that set of the**
 19 **anticipated ecosystem?**

20 A Yes.

21 **Q As opposed to potential users who would want**
 22 **to buy things with Kin in the future?**

23 A The events that Ted attended were
 24 developer-centric but also had large participation from
 25 people that are consumers of these applications as well.

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1 **Q Were the events, in part, geared towards -- I**
 2 **think we've seen the term -- crypto enthusiasts?**

3 A I've not used the term crypto enthusiasts, but
 4 I believe the events that Ted spoke at, one was -- so
 5 Shenzhen was at TechCrunch, which is something that Kik
 6 has spoken at often.

7 There are different events in
 8 cities.

9 The one in New York was hosted by Spotify at
 10 their offices.

11 In San Francisco, it was at Digital
 12 Garage, which is a place that does a lot of incubation
 13 for tech startups.

14 They're similar to Y Combinator, and
 15 there's a lot of developers that come in and out of
 16 Digital Garage.

17 The interviewer for the San Francisco one at
 18 Digital Garage was someone who was prominent in the
 19 cryptocurrency space, specifically Bitcoin. And the
 20 trip in London, Ted spoke at a conference that was
 21 largely geared towards blockchain and cryptocurrency,
 22 and there was also a fireside chat that was hosted by a
 23 couple other crypto projects, but the interviewer for
 24 Ted's fireside chat was someone who writes about
 25 consumer tech in the London ecosystem.

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1 **Q So it sounds like -- thank you for that.**

2 **It sounds like it was a mix of developers and**
 3 **people in the tech space like that, and then people in**
 4 **the crypto space and people interested in crypto?**

5 A Correct.

6 **Q Okay.**

7 **And it wasn't focused on the accredited**
 8 **investors only who formed the purchasers of SAFTs?**

9 A There were also meetings in those cities at
 10 the -- around those events.

11 **Q With larger investors in the space?**

12 A With people who participate in token sales
 13 that are accredited investors.

14 **Q Okay.**

15 BY MR. MITCHELL:

16 **Q What's a fireside chat?**

17 A A fireside chat is an interview, typically --
 18 I've actually seen a few that actually had a fireplace,
 19 but it's supposed to be a casual conversation in an
 20 interview style, one-on-one.

21 **Q Generally in front of an audience?**

22 A In front of an audience.

23 **Q And are they sometimes broadcast as well?**

24 A Sometimes broadcast.

25 **Q And who'd you meet -- sorry. The developers**

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1 **you talked about, what developers did you meet with?**

2 A Did I meet with?

3 **Q Yeah.**

4 A So I -- of the -- those four cities, I was
 5 only in two of them. When I was in London, met with a
 6 few developers at his fireside chat that were building
 7 decentralized applications on blockchain, so they were
 8 predominantly blockchain developers.

9 And in San Francisco, I met a number of
 10 developers at Digital Garage. I don't recall
 11 specifically who they were or what they were building.

12 **Q In San Francisco, who else did you meet with**
 13 **outside of the Digital Garage event?**

14 A In San Francisco, I met with some gentlemen
 15 from Fortress. I am trying to recall some of the other
 16 meetings.

17 Fortress was a major -- was one of the
 18 meetings. I met with a gentleman from Ribbit Capital,
 19 who are in Palo Alto.

20 **Q Ribbit like a frog?**

21 A R-I-B-B-I-T.

22 **Q You met with them about potentially**
 23 **participating in the sale?**

24 A Yes.

25 **Q And did they eventually participate?**

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1 A They did not.
2 **Q Did the Fortress people?**
3 A Yes.
4 Ted and I also met with Tim Draper.
5 **Q Why?**
6 A About participating with the token sale.
7 **Q Did he?**
8 A He did not.
9 **Q Why not?**
10 A I do not know.
11 BY MR. LEASURE:
12 **Q So roughly when did marketing efforts to**
13 **identify accredited investors for SAFTs commence?**
14 A Around the time of Token Summit when the
15 announcement first happened.
16 **Q And it sounds like a lot of them -- there were**
17 **meetings both in the U.S. and elsewhere around the road**
18 **show with some accredited investors?**
19 A When Ted was in a city speaking at an event,
20 there were typically also meetings with accredited
21 investors.
22 **Q It was part of the same trip?**
23 A Yes.
24 **Q Okay.**
25 **You met with Pantera?**

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1 A We met with Pantera in New York the week of
2 Token Summit. I don't recall if I went to their office
3 on that specific San Francisco trip, but I have been to
4 their office before.
5 **Q Okay.**
6 **What was -- in general, what was -- if I can**
7 **term it this way -- what was the pitch that Kik made to**
8 **accredited investors about the Kin project?**
9 A It was very much the same that was Ted's
10 communication at Token Summit and at some of these
11 fireside chats, which was disrupting the monopolies and
12 creating a decentralized ecosystem of digital apps that
13 meant that developers could actually compete, have a
14 sustainable model, and consumers were also not
15 marginalized and could potentially have -- capture value
16 that they are generating within this economy that
17 they're participating in.
18 **Q Why do you think the accredited investors**
19 **bought the SAFTs?**
20 A I believe that a lot of the accredited
21 investors purchased the SAFTs because there is
22 significant impact that will happen in the digital app
23 ecosystem by the monopolies being disrupted and there is
24 benefit to a lot of these institutions who also have
25 portfolios of other companies that need a model like

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1 this.
2 But I can't speak specifically to all of their
3 exact motivations.
4 **Q Did you -- did any of the accredited investors**
5 **you met or discussed the Kin token with indicate that**
6 **they intended to make money from their purchase of Kin**
7 **tokens?**
8 A All of the conversations with the presale
9 participants was largely centered around the impact this
10 would have on both consumers and the digital ecosystem,
11 and they were excited about a consumer application
12 bringing cryptocurrency to the mainstream consumer.
13 Obviously, they have their business models
14 that is to make money as well. I don't know
15 specifically how they intended to make that money,
16 whether that was just directly just holding the tokens,
17 but some of the participants also talked about buying
18 Kin to actually have as essentially a war chest to
19 deploy in some of their portfolio companies.
20 SV Angel was another firm that I met with when
21 I was in San Francisco, and they were one that was very
22 excited about this type of a disruptive innovation that
23 could have an impact on their portfolio companies as
24 well.
25 BY MR. MITCHELL:

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1 **Q Sorry, what is SV Angel?**
2 A SV Angel is a venture capital and angel fund.
3 They are led by Brian Conway [sic], who is one of the
4 most prominent venture capitalists in the Valley.
5 **Q And what's a -- sorry, just what's -- what is**
6 **that? You just said a venture capital and angel fund?**
7 **What's that?**
8 A A venture capital and angel fund is an
9 investment fund that typically invests in the angel
10 round in early stage tech startups.
11 **Q Great. And he's investing his own money?**
12 A He is investing the money of the firm.
13 **Q Firm. And do -- you think -- so it's the**
14 **firm? It's just the firm's money? They don't have**
15 **other investors?**
16 A They have limited partners.
17 **Q They have limited partners? And do they have**
18 **more than one -- do you know if they have more than one**
19 **fund, or they just have one fund?**
20 A I don't know how many funds they have.
21 **Q So did anyone from SV Angel tell you that they**
22 **were buying Kin because they thought that Kin could**
23 **raise the value of other investments that they had?**
24 A The conversation with SV Angle was that they
25 were excited about a model that could disrupt the

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1 monopolies that was threatening the consumer tech space,
2 which is an area that they -- their business is built
3 on.

4 **Q So did anyone from SV Angel tell you that they**
5 **were buying the Kin because they thought that by buying**
6 **Kin they could increase the value of some other asset**
7 **that they owned?**

8 A They did not.

9 **Q Did anyone from anybody else tell you that?**

10 A The team at Betaworks specifically mentioned
11 that they were buying Kin so that they could deploy that
12 in some of their developers within their portfolio.

13 **Q What is "deploy"? What did you understand**
14 **"deploy" meant?**

15 A They were going to give Kin to their
16 developers as a way to seed experiences that they may
17 build in the Kin ecosystem.

18 **Q And did they tell you what companies they**
19 **were -- or what -- who they were going to give it to?**

20 A No.

21 **Q Did they tell you how those people were going**
22 **to use it?**

23 A No.

24 **Q Did they tell you -- did they say they were**
25 **going to give all of it to their portfolio companies?**

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1 A No.

2 **Q Did they tell you whether they -- what percent**
3 **they were going to sell?**

4 A No.

5 **Q Do you have any idea what percent they were**
6 **going to sell?**

7 A Nope.

8 **Q Sorry, anyone other than SV Angel and**
9 **Betaworks? Was there anyone other than SV Angel and**
10 **Betaworks who told you that they were buying it for some**
11 **reason other than that they were -- you know, that they**
12 **were a fund and were just buying it as an asset?**

13 A There were no specific references from any of
14 the other presale participants as to how they were going
15 to use the Kin tokens.

16 **Q Were there any general?**

17 A The team at Pantera was excited about a lot of
18 other decentralized applications that were building
19 around crypto economies. They did not specifically
20 reference that they were going to take some of the Kin
21 that they owned and give that to other developers in
22 their portfolio, but they made reference to the fact
23 that they were excited about participating in the Kin
24 sale as it would be disruptive and allow for more
25 developers to build decentralized applications.

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1 **Q All right.**

2 BY MR. LEASURE:

3 **Q Let me show you a document I'm marking as**
4 **Exhibit 118.**

5 (SEC Exhibit No. 118 was marked for
6 identification.)

7 **Exhibit 118 is a multipage printout of an**
8 **e-mail chain ending July 6th, 2017, with the subject**
9 **Follow Up. It has the Bates stamp Kik 92813.**

10 A Yeah.

11 **Q And I should state, I believe I omitted to**
12 **provide an attachment, which was a SAFT private**
13 **placement memorandum.**

14 A Okay.

15 **Q What is this document?**

16 A This is an e-mail exchange between myself and
17 the team at Betaworks.

18 **Q Okay. And we've already discussed Betaworks;**
19 **right?**

20 A Yes.

21 **Q Did they purchase a SAFT?**

22 A Yes.

23 **Q Do you know how -- the dollar amount of the**
24 **SAFT that they purchased?**

25 A \$50,000 U.S.

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1 **Q Okay. In the scale of SAFT purchases, was**
2 **that a relatively large or small purchase?**

3 A Small purchase.

4 **Q Okay. You met with them?**

5 A I had a video call with them.

6 **Q Oh, cool. Where are they based?**

7 A New York.

8 **Q Okay. And where were you on the video call?**

9 A Waterloo.

10 **Q Okay. In Canada?**

11 A In Canada.

12 **Q And you met with them to discuss the potential**
13 **purchase of the SAFT?**

14 A Yes.

15 **Q Okay.**

16 **On the second page, at the bottom of the**
17 **second page, 92184, Matthew Hartman of Betaworks writes:**
18 **Thanks so much for following up, and we all really**
19 **appreciate your time.**

20 **We discussed internally, and while we're**
21 **interested in Kin, the minimum investment, parentheses,**
22 **\$500,000, end parenthesis, is significantly larger,**
23 **parenthesis, greater than 10 times, end parenthesis,**
24 **than what we would be comfortable making here, and it**
25 **sounds like something on the much smaller side is**

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1 probably not a fit for you at all.

2 Can you unpack that? What -- did -- first,
3 was there a minimum investment in the SAFTs?

4 A At the time of the discussion with Betaworks,
5 there was discussion internally about having a minimum
6 participation amount in the presale at \$500,000. That
7 ended up not being the case, and there was a decision to
8 allow for smaller participation.

9 Q And was there a -- in the end, was there any
10 minimum investment for the SAFTs?

11 A I don't believe there was a specific minimum
12 in the SAFT.

13 Q Okay. So these -- so Betaworks was able to
14 invest 50,000?

15 A Yes.

16 Q Okay. Why was the consideration of having a
17 minimum larger than that, of 500,000 or whatever, why
18 was that dropped?

19 A Why was it dropped?

20 Q Mm-hm.

21 A The -- initially, the company discussed having
22 a minimum of 500,000 to have a minimum threshold to
23 reduce some of the operational capacity of processing a
24 lot of SAFTs, given that smaller than 500,000 may be
25 able to participate in the public sale.

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1 Ultimately, that was dropped because the
2 company saw value in having firms like Betaworks and
3 others participate at smaller amounts in the presale.

4 Q And firms like Betaworks and others, was it
5 Kik's view that those types of firms might be more
6 likely to be participants in the ecosystem?

7 A I say firms like Betaworks, referencing
8 Betaworks here wanting to participate in a smaller
9 amount.

10 Q Oh, I understand.

11 A Yeah.

12 Q And I'm asking what -- did Kik have a view
13 that some smaller firms might be more likely to be
14 participants in the ecosystem in the future?

15 A Yes.

16 Q Okay. Betaworks being one of them?

17 A Yes.

18 Q Okay.

19 And just so I understand Betaworks and who
20 they are, how -- what is it about Betaworks and what
21 they do that might make them participants in the
22 ecosystem?

23 A Betaworks is a company that Kik was familiar
24 with, has worked with in the past. They incubate bot
25 developers as well as developers that build some small

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1 apps and games that have been extremely popular in
2 mobile.

3 And they're facing -- a lot of their
4 developers were facing the same challenges that Kik and
5 everyone else was facing that was very much highlighted
6 in the white paper. So they were a strong fit with the
7 Kin ecosystem.

8 Q Got it. So a mobile bot developer would -- or
9 someone who works with them would be much more likely to
10 participant in the ecosystem than just a hedge fund or
11 something?

12 A Correct.

13 Q Got it.

14 On -- a few more questions. On the first page
15 of this document -- if I can point you, it's 9283 --
16 towards the middle, Matthew Hartman writes: Hi, Tanner.
17 It does. Are there others who are reviewing this as an
18 ecosystem investment, parentheses, as we are, end
19 parentheses?

20 Is that ecosystem investment along the lines
21 we were just discussing about people who were buying and
22 looking forward to participating in the ecosystem?

23 A Correct.

24 Q Okay. So some were, some were not; correct?

25 A Correct.

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1 Q Okay. You respond --

2 A Or I should say I don't know specifically that
3 people were not, but there were some people here that
4 specifically were.

5 Q Okay.

6 MR. MITCHELL: Can I just step in for a
7 second?

8 Q You met with Fortress?

9 A Yes.

10 Q What's Fortress?

11 A Fortress is an investment bank in San
12 Francisco.

13 Q Who'd you meet with?

14 A I met with Peter Briger, who is the CEO, and a
15 few of his partners that have a fund that they have
16 outside of Fortress.

17 So Fortress was not the fund that purchased a
18 SAFT. And I met with Peter Briger, some of his partners
19 in that small fund, and Ted and I.

20 Q And what's the fund do?

21 A They have participated in other token sales.
22 The ones that were specifically met -- referenced in the
23 meeting in San Francisco were some of the tokens that
24 were built around consumer applications, specifically
25 FunFair was one that they were very excited about.

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1 **Q Did they tell you they bought FunFair?**

2 A Yes.

3 **Q And is it an investment fund that they're**
4 **running?**

5 A I do not know what their charter says, but
6 they are participating in token sales.

7 **Q Are they -- is that money that Peter -- Pete**
8 **Briger and his friends are investing?**

9 A I believe so, yes.

10 **Q Thanks.**

11 BY MR. LEASURE:

12 **Q Just finishing on Exhibit 118, you respond to**
13 **Betaworks's question, I believe. You send the PPM, and**
14 **then you write -- tell me if you don't see this -- there**
15 **are a few players in the sale connected with some**
16 **longer-term ecosystem partners. The majority of**
17 **investment far is coming via VC funds and others doing**
18 **interesting things in the space.**

19 **Did you see that?**

20 A Yeah. I'm a little embarrassed. I missed the
21 "so" before the "far." I usually proofread my e-mails.

22 **Q Ah.**

23 A But, yes, I see it.

24 **Q I forgive any typo.**

25 A Thank you.

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1 **Q Was this accurate when you wrote it?**

2 A Yes.

3 **Q Okay. And are you referring to SAFT**
4 **participants here?**

5 A Yes.

6 **Q Okay. And so is it -- would you agree that at**
7 **the time -- first, "VC" stands for venture capital?**

8 A Yes.

9 **Q Would you agree that at the time you, in the**
10 **way you thought about it, divided potential SAFT**
11 **participants in some ways between ecosystem partners and**
12 **then other groups of people?**

13 A I look at VCs as an ecosystem partner.
14 Specifically in this statement, I talk about VC funds
15 and others doing interesting things in the space.
16 "Interesting things in the space" to me was people
17 actually building things and building potentially
18 consumer applications, and I look at VC funds as an --
19 part of that bucket of ecosystem partners because VC
20 funds have a portfolio of other consumer tech, and
21 whether they're deploying directly or are supportive of
22 this disruptive business model, that would benefit their
23 portfolio.

24 **Q So when you wrote about VC funds and others**
25 **doing interesting things in the space, you were**

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1 **including them in the term "ecosystem partners"?**

2 A Yes.

3 BY MR. MITCHELL:

4 **Q What VC funds -- sorry, what VC funds and**
5 **others are you talking about there?**

6 A The VC funds at the time of writing this in
7 July, I believe, they're -- so the "others,"
8 specifically you're look -- I was looking at people like
9 there was a few wallets that had -- or people that were
10 CEOs at wallet companies, crypto wallets, that were
11 participating in the sale.

12 So Anthony Di Iorio, who's the CEO of Jaxx --
13 and they were building a consumer interface for people
14 participating in token economies. Wences from Xapo, who
15 is also a wallet CEO. So I put those in some of the
16 "others."

17 VC funds were -- some of the VC funds I would
18 classify, for example, Polychain, because they take
19 investment from VC funds. They're essentially a special
20 purpose vehicle for VC funds that cannot participate in
21 token sales because of their charters. So I maybe use
22 "VC" a little bit more broadly.

23 **Q Sure. Anybody else?**

24 A I'm sure there were some others in there.

25 In terms of others doing interesting things in

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1 the space, I know one of the participants was the head
2 of Samsung Ventures in Israel.

3 There was a gentleman by the name of Michael,
4 and I actually cannot pronounce his last name, it is
5 very long, but he is the CEO of Skillshare, which is a
6 peer-to-peer knowledge exchange network.

7 His friend David Chan, who is also a
8 developer -- I don't know what specifically he develops,
9 but Michael mentioned he was one of his developer
10 friends.

11 Who else? There -- I believe there were some
12 others. Jed McCaleb, who was the founder of Mt. Gox,
13 then Ripple, and now Stellar, and Stellar ended up being
14 a strong partner on infrastructure, for example.

15 There were some others, I believe.

16 **Q Okay. Did any of those people you just**
17 **mentioned tell you or anyone else from Kik that they**
18 **intended to take the Kin tokens and use them in their**
19 **business?**

20 A No.

21 **Q Thanks.**

22 BY MR. LEASURE:

23 **Q So ultimately, \$50 million worth of SAFTs were**
24 **sold?**

25 A Yes.

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1 Q Okay. And it's possible that some of those
2 purchases were made in order to participate in some way
3 in the ecosystem in the future; right?

4 A Yeah.

5 Q And it's possible that -- it's possible that
6 some of those were made in order to make money --

7 A Yes.

8 Q -- as an investment? Are you able --

9 MR. MITCHELL: Sorry --

10 MR. LEASURE: Sorry, let me finish.

11 MR. MITCHELL: Okay.

12 BY MR. LEASURE:

13 Q Are you able to say what percentage of the 50
14 million in SAFTs that were sold were done for one
15 purpose versus the other?

16 A I cannot.

17 Q Okay.

18 Let's go ahead to the public sale. I think
19 via Ether purchases, 50 million of tokens were sold in
20 the public sale?

21 A Yes.

22 Q I'm going to ask the same question: Are you
23 able to say what percentage of those 50 million were
24 sold to people who wanted to use the tokens versus who
25 wanted -- who treated the token as an investment?

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1 Q Do you know what private -- what SAFT
2 purchasers have done with their SAFTs?

3 A No.

4 Q Do you -- so have they received their -- some
5 or all of the Kin they were entitled to at this point?

6 A They have received all of the Kin that was in
7 that first 50 percent that had not yet vested.

8 Q Okay. Do you know, did a -- do you have data
9 or otherwise know whether they still hold them or have
10 sold some of it?

11 A The -- their public addresses would show how
12 much Kin is in their wallet. There would be no way to
13 know if the -- if their balance had changed if it was to
14 another one of their wallets or another custody that
15 they're working with. I don't know if they actually
16 still own it or not.

17 Q Have you ever been involved in checking on
18 that?

19 A I have not.

20 Q Okay. Have you ever done any project to check
21 whether -- leave -- I want to expand that just for the
22 SAFT purchasers.

23 Have you ever done any work to determine
24 whether public sale purchasers still hold their Kin?
25 Have sold them on?

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1 A No.

2 Q You can't say either way?

3 A No.

4 Q Okay. Is there any data that you have
5 available or have access to that would be -- allow you
6 to answer that question?

7 A No.

8 Q Okay. Why is that?

9 A Because the token sale was opened up to the
10 public for anyone who went through the registration
11 process, and I cannot say specifically what the intent
12 of any one of the participants was.

13 Q Right. There was nothing in the structure
14 that blocked or otherwise prevented investors or
15 speculators from joining in the token event?

16 A No.

17 Q Okay.

18 Did -- going back to the SAFT purchasers. Did
19 they ask -- did they ever -- did any of the potential
20 SAFT purchasers ask for Kik's financial statements?

21 A I don't recall anyone asking for them.

22 Q How about did any of the SAFT purchasers ask
23 for Kik's -- if it had one -- Kik's plan on how to use
24 the proceeds raised by the SAFT sale?

25 A I don't recall if anyone did.

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1 A Me personally?

2 Q Yeah.

3 A No.

4 Q Anyone else at Kik, to your knowledge?

5 A To my knowledge, the finance team has looked
6 at some of the larger wallets of Kin.

7 Q And let me just ask: What's a "larger
8 wallet"?

9 A A -- they have looked at wallets that hold a
10 large amount of Kin --

11 Q Okay.

12 A -- some top percentile, I don't know which,
13 and they've looked at which wallets those are and if the
14 Kin has moved.

15 Q And what did they find?

16 A I believe some of the large wallets that were
17 initially distributed the Kin do not have the Kin in
18 those wallets anymore and some do and some have a
19 percentage.

20 Q Do you know why the finance team did that?

21 A I believe the finance team did that to look at
22 who was still holding Kin in some of the larger
23 participants. I don't know specifically the intent.

24 BY MR. MITCHELL:

25 Q Why -- sorry, why do they want to know that?

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1 A I -- Peter asked the finance team to put
2 together that report. I am not working on that report,
3 and I'm not sure his specific intent.
4 **Q Do you know who the report went to?**
5 A I do not know who the report went to.
6 **Q And what timeframe are we talking about when**
7 **the report was requested?**
8 A I do not recall the specific timeframe. It
9 may have been Q4 of 2017 or beginning of 2018.
10 BY MR. LEASURE:
11 **Q I'll take that back from you. Thank you.**
12 **The Kin Rewards Engine?**
13 A Yes.
14 **Q That was a -- that is and was a part of the**
15 **Kin project?**
16 A Yes.
17 **Q And that's a system whereby Kin is distributed**
18 **to reward people for transacting in Kin?**
19 A Yes.
20 **Q Okay. And it's designed to help attract**
21 **people to use Kin?**
22 A Yes.
23 **Q Okay. Does it exist today?**
24 A Yes.
25 **Q It's in place?**

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1 A I would say it is in place because the
2 Foundation is doing manual grants of Kin.
3 The developer program -- the Kin Foundation
4 launched a developer program a few weeks ago, and there
5 are people building on that, were accepted into that
6 program -- I believe 45 -- and they are rewarded for --
7 in certain tranches based on -- there's an amount of Kin
8 and cash component to that that is allocated based on
9 active wallets.
10 So that is a manual process. The algorithmic,
11 like, manual -- or algorithmic daily payout of the Kin
12 Rewards Engine does not exist today.
13 **Q Okay. So to the extent -- I think I saw the**
14 **announcement of that developer program.**
15 **Congratulations. Who's running that?**
16 A The Kin Foundation.
17 **Q And who at the Kin Foundation?**
18 A The Kin Foundation contracted employees at Kik
19 Interactive to develop some of the tools that they will
20 be -- that the participants will be using, and do some
21 mentorship on the tools.
22 **Q So Kik employees under a contract with the**
23 **Foundation are running the developer program?**
24 A Yes.
25 **Q Is it a formal contract?**

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1 A I believe it's a services agreement, but I'm
2 not for sure.
3 **Q Is it you who is working on it?**
4 A No.
5 **Q Who is it?**
6 A The -- specific names or teams?
7 **Q The main person or main people.**
8 A The main people working on the developer
9 program would be Matt DiPietro -- do you want me to
10 spell it?
11 THE COURT REPORTER: Sure.
12 THE WITNESS: So Matt, M-A-T-T, last name is
13 D-I -- capital D, lowercase I -- space D-I-P-I-E-T-R-O.
14 BY MR. LEASURE:
15 **Q I think we were just discussing a spelling**
16 **bee.**
17 A Yeah, I know.
18 Sorry, there are others as well.
19 **Q That's okay.**
20 A Okay.
21 **Q We'll stop there.**
22 **The plan for the Kin Rewards Engine was**
23 **ultimately for an algorithmic automatic program to be in**
24 **place?**
25 A Correct.

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1 **Q Would you agree that that algorithmic rewards**
2 **engine is not currently in place?**
3 A Correct.
4 **Q Is being worked on?**
5 A Yes.
6 **Q Who's working on it?**
7 A The Kin Foundation.
8 **Q Okay. And who specifically at the Kin**
9 **Foundation?**
10 A William and Ted are working on the initial
11 algorithm and will outsource that, I believe, to a smart
12 contract developer to actually implement the smart
13 contract that would distribute it.
14 **Q Are any Kik employees working on the Kin**
15 **Rewards Engine?**
16 A Today, no.
17 **Q In the past?**
18 A In the past, there was an RFP or a -- or an
19 RFC, Request For Comment, developed by Kik employees
20 that garnered feedback that the Kin Foundation has used
21 to help illustrate some of their thinking around what
22 this algorithm would look like.
23 **Q Okay. When was that RFC published?**
24 A I believe the end of 2017.
25 **Q After the public sale?**

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1 A Yes.

2 **Q Do you know why it wasn't published before the**

3 **public sale?**

4 A No.

5 BY MR. MITCHELL:

6 **Q Have -- had -- do -- did Kik employees work on**

7 **the rewards engine after publishing the RFC?**

8 A Yes.

9 **Q What'd they do?**

10 A They collected some of the comments from --

11 that came out from the request for comment, put together

12 some potential iterations -- I also helped with some of

13 that as well -- and the collection of a lot of that data

14 around the RFC, as well as some additional research

15 working with some others.

16 There was a project with McKinsey to do some

17 work around the Kin Rewards Engine. There was also a

18 project led by some other Kik employees on the Kik side

19 in collaboration with MIT on some potential

20 implementations of the Kin Rewards Engine, and that was

21 all collated and prepared for members of the Kin

22 Foundation.

23 **Q And why did -- sorry, so Kin -- everything you**

24 **just described were done by Kik employees?**

25 A As well as some external parties. There was

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1 some feedback provided by the community on GitHub, for

2 example, where the RFC was produced.

3 **Q To who? Who'd they provide the feedback to?**

4 A To anyone who has access to GitHub.

5 **Q Okay. And is anyone other than -- did anyone**

6 **from GitHub -- is anyone from GitHub, or just happens to**

7 **be on GitHub, are they designing the Kin Reward Engine?**

8 A To the extent of my knowledge, there is not

9 someone implementing a Kin Rewards Engine from someone

10 that was on GitHub.

11 **Q Got it. So it's Kik? The Kik employees were**

12 **the people -- did -- are the Kik employees the people**

13 **who gathered that information from whatever the comments**

14 **were and collected it?**

15 A Yes, as well as people from MIT and McKinsey.

16 **Q And who hired the MIT people?**

17 A The MIT was -- I believe was a contract with

18 Kik.

19 **Q Okay. And what about the McKinsey people?**

20 A I believe that -- I do not know if that was

21 Foundation or Kik.

22 **Q When was it?**

23 A That was December of 2017.

24 **Q And who was running the Foundation then?**

25 A I believe Ted and Peter were the board

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1 designees.

2 **Q Were they designees or were they the director**

3 **-- were they --**

4 A I'm not sure.

5 **Q Were they the people running the Foundation at**

6 **that point?**

7 A They were the two designees.

8 **Q I don't know what -- what does the word**

9 **"designee" mean?**

10 A That is a legal term that I am under the

11 impression they were the designees of the board.

12 **Q Okay. So let me ask you just a practical**

13 **question: Who was running the Foundation in December of**

14 **2017?**

15 A Peter and Ted, and there were also

16 conversations at the time with -- around the McKinsey

17 project with William Mougayar, and there was another

18 gentleman, Bill Raduchel.

19 **Q Okay. And why -- the work you described**

20 **earlier about gathering the data and the research and**

21 **working with these folks, why was that work done?**

22 A To have an implementation of the algorithmic

23 Kin Rewards Engine.

24 **Q Oh, so that work was done so that that**

25 **implementation could be done in the future?**

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1 A Yes.

2 **Q And could that -- could an algorithm have been**

3 **implemented without that data and research?**

4 A Yes.

5 **Q Okay. And so did Kik do that?**

6 A No.

7 **Q Has anyone done that?**

8 A No.

9 **Q Why not?**

10 A Because the Kin Foundation wanted to collect

11 more data to educate what the first implementation of

12 the Kin Rewards Engine would look like.

13 **Q So because someone at the Kin Foundation**

14 **thought this data and research was important --**

15 A Yes.

16 **Q -- to the implementation? Who?**

17 A I believe all of the members of the Kin

18 Foundation.

19 **Q So who have you talked to about it? Which**

20 **members have you talked to about it?**

21 A Ted, Peter. I believe William and Bill

22 Raduchel also provided feedback on that.

23 **Q Great. Thanks.**

24 MR. LEASURE: Let's go off the record.

25 THE VIDEOGRAPHER: Going off the record. The

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1 time on the monitor is 10:50 and 19 seconds a.m.
 2 (A recess was taken from 10:50 a.m. to 11:02
 3 a.m.)
 4 THE VIDEOGRAPHER: We are back on the record.
 5 The time on the video monitor is 11:02 and 10 seconds
 6 a.m.
 7 BY MR. LEASURE:
 8 **Q Back on the record after a brief break, during**
 9 **which, Mr. Philp, you had no substantive conversations**
 10 **about this investigation with SEC staff?**
 11 A No, sir.
 12 **Q Thank you.**
 13 **We were talking about the rewards engine and**
 14 **the concept of an RFC --**
 15 A Yes.
 16 **Q -- before the break. Let me show you Exhibit**
 17 **119.**
 18 (SEC Exhibit No. 119 was marked for
 19 identification.)
 20 **Exhibit 119 is a one-page e-mail chain ending**
 21 **June 14th, 2017, with the subject Rewards Engine**
 22 **Advisory Intro. It has the Bates stamp Kik 22204.**
 23 **It also has what I understand to be an**
 24 **attachment. The attachment is titled Kin Rewards Engine**
 25 **Request for Comments, and it's dated June of 2017.**

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1 **Take your time. This is obviously a long**
 2 **document.**
 3 A Yep.
 4 **Q I'm going to point you to a very specific part**
 5 **of the document.**
 6 A Okay.
 7 **Q Are you ready?**
 8 A I'm ready.
 9 **Q Okay. What is this e-mail and attachment?**
 10 A This attachment is a draft of the request for
 11 comment on a potential implementation of the Kin Rewards
 12 Engine.
 13 The e-mail that is the cover here is an
 14 introduction to Ned Scott to, I believe, review the
 15 initial draft and provide feedback.
 16 **Q And you're copied it on.**
 17 A I am copied on it.
 18 **Q Did you work on a request for comment to the**
 19 **Kin Rewards Engine around this time?**
 20 A No.
 21 **Q Did you have anything to do with the RFC**
 22 **document?**
 23 A I did not.
 24 **Q Okay. Who worked on it?**
 25 A I believe the main author of this document

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1 was -- I believe there was a couple. I believe it was
 2 Tal Kol and Oded Noam, both of which were in Israel.
 3 **Q So mostly these -- the Tel Aviv-based team**
 4 **worked on this?**
 5 A Yes.
 6 BY MR. MITCHELL:
 7 **Q Did they work for Kik?**
 8 A Do they work for Kik?
 9 **Q Those two people, were they working for Kik or**
 10 **another company?**
 11 A At the -- both of them were employed by Kik, I
 12 believe, following the sale. At the time, they were
 13 contracted under CoinTree.
 14 BY MR. LEASURE:
 15 **Q So CoinTree mostly worked on drafting an RFC**
 16 **prior to the public sale?**
 17 A Yes.
 18 **Q Great. Okay.**
 19 **Understanding you didn't have much to do with**
 20 **this document, we'll then go very quickly through this.**
 21 A Cool.
 22 **Q I want to point you just to one -- page 4,**
 23 **which has Bates stamp 22208 --**
 24 A Yes.
 25 **Q -- and the title The Participants.**

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1 A Yes.
 2 **Q There's a section Capitalists?**
 3 A Yes.
 4 **Q It reads: Capitalists are individuals with**
 5 **significant holdings of Kin used primarily for**
 6 **investment purposes. They constitute a minority of**
 7 **participants in the ecosystem and their main interest is**
 8 **to realize a return by selling Kin on secondary markets.**
 9 **Do you see where I read that?**
 10 A I do.
 11 **Q Do you know who wrote this?**
 12 A I do not know the specific author, but given
 13 that it was largely driven by Tal and Oded, I believe it
 14 would be one of them.
 15 **Q Okay. You didn't write this?**
 16 A I did not.
 17 **Q Do you know the basis -- whoever wrote this,**
 18 **do you know what the basis was for the concept that**
 19 **capitalists were a minority of participants in the**
 20 **ecosystem?**
 21 A I believe they were making an assumption based
 22 on a -- what they believe is common in most tokens is
 23 that there is a subsection of people that are not
 24 participating in the network and using the token for
 25 whatever services are being offered, but are holding it

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1 and then selling it on secondary markets.

2 BY MR. MITCHELL:

3 **Q So you think this is based -- that sentence is**
4 **based on the experience of CoinTree?**

5 A Given that they wrote this, I would assume
6 that it was probably on the -- some of their experience
7 or personal knowledge.

8 **Q Anything else?**

9 A No.

10 **Q Okay.**

11 BY MR. LEASURE:

12 **Q Do you recall any discussion you were involved**
13 **in involving how to characterize capitalists for**
14 **purposes of the -- of reward engine documentation?**

15 A I believe there was some discussion internally
16 around this document and some concerns raised about
17 capitalists. I don't recall who provided the direct
18 feedback.

19 I know I had a conversation with Peter about
20 this specific sentence.

21 **Q Tell me about that.**

22 A Peter and I both expressed concern about
23 explicitly calling out this in a public-facing document.

24 **Q Why would -- why did you have that concern?**

25 A Felt that the way -- did not disagree that

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1 specifically that it did not read well as it relates to
2 the Howey Test, as you mentioned, but also that it reads
3 as if this is a priority for the RFC.

4 BY MR. LEASURE:

5 **Q Did you discuss that concern with anybody**
6 **else?**

7 A I had that discussion with Peter. I believe
8 there may have been other feedback provided, either to
9 the authors or in review with attorneys, but I don't
10 recall specifically.

11 **Q Okay. Was there ever any -- as to the**
12 **question of whether -- as to the question of the size of**
13 **capitalists in the ecosystem, whether they're a majority**
14 **or a majority [sic], was there ever any study done on**
15 **that point in connection with this document?**

16 A Not that I'm aware of.

17 **Q Okay.**

18 **And we covered this yesterday. We saw**
19 **reference to the motivations of participants in the**
20 **CoinFund survey; correct?**

21 A Yes.

22 **Q Other than that, was there ever any sort of**
23 **hard data you're aware of that went to motivations?**

24 A Not that I'm aware of.

25 **Q Okay. That's fine. I'll take that back.**

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1 there may be some people that are participating in token
2 economies to sell on secondary markets, but by
3 positioning it ahead of digital service developers and
4 with such direct language, it makes it seem like this is
5 a priority.

6 **Q Was there -- was that concern relating to --**
7 **related to the Howey Test SEC issues or something else?**

8 A That was a component, but more so that an
9 economy that is driven mostly by capitalists in this
10 scenario -- sorry, I'm doing air quotes -- capitalists
11 in this document, if that is a large cohort of people
12 that own, in this scenario, Kin, then it would be bad
13 for the health of the economy.

14 **Q Okay. So both business reasons for the health**
15 **of the economy and then a concern over securities law**
16 **issues --**

17 A Correct.

18 **Q -- and the way things may appear?**

19 MR. MITCHELL: Your business concern was
20 literally about the wording of the document?

21 THE WITNESS: No. The business -- the wording
22 of the document, as it stands right now, is positioned
23 ahead of digital service developers. I believe digital
24 service developers are much more important than
25 capitalists in this scenario, and the wording was

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1 **Thank you.**

2 MR. MITCHELL: Can I ask two questions?

3 **Q Did anyone at Kik have the experience with**
4 **either token systems to be able to, you know, have --**
5 **make their own assumption about whether capitalists**
6 **would be a minority of participants?**

7 A Sorry, the question -- do you mind repeating
8 the question?

9 **Q Sorry. I think you said earlier that you**
10 **assumed that this sentence about that capitalists**
11 **constitute a minority of participants in the ecosystem**
12 **was based on the prior experience of the two CoinFund**
13 **employees?**

14 A CoinTree.

15 **Q CoinTree employees.**

16 A I was saying that given they are the authors
17 of this, I can -- I do not want to make assumptions as
18 to where this was pulled from in terms of their explicit
19 or implicit knowledge. I was mostly commenting on the
20 fact that they were the authors, so I can't speak to
21 anything other than that.

22 **Q Sure. So leaving aside the CoinTree folks,**
23 **did anyone at Kik have enough experience with other**
24 **token offerings to, you know, have a basis to make a**
25 **statement like this?**

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1 A Other employees at Kik had observed other
 2 token sales and participated in a lot of subreddits.
 3 For example, where there is discussion of people that
 4 look at tokens for trading on secondary markets. No --
 5 there were not people that were ignorant to that.
 6 **Q Right. But do you think that there were**
 7 **people at Kik who had enough experience to say that**
 8 **capitalists constitute a minority of participants in the**
 9 **ecosystem?**
 10 A I do not know.
 11 **Q You don't know?**
 12 A No.
 13 **Q Okay.**
 14 **Anybody else who -- other than the CoinTree**
 15 **folks, is there anyone else who worked for Kik any other**
 16 **-- anyone else who Kik had hired who you thought had**
 17 **that kind of experience?**
 18 A I don't know.
 19 **Q Thanks.**
 20 BY MR. LEASURE:
 21 **Q I'll take it back. Thanks.**
 22 **In advance of the public sale, Kik met with**
 23 **regulators at a -- Canadian securities regulators?**
 24 A Correct.
 25 **Q At the OSC?**

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1 A Yes.
 2 **Q Did you participate in that?**
 3 A Yes.
 4 **Q Who went?**
 5 A From Kik, Ted Livingston, Peter Heinke, and
 6 myself. And there were two Cooley attorneys that dialed
 7 in.
 8 **Q Okay.**
 9 A As well as -- sorry -- and Canadian counsel,
 10 Ross from Blakes.
 11 **Q Thank you.**
 12 **What was -- I just want to boil this down.**
 13 **Kik presented its view that the upcoming sale of Kin**
 14 **tokens would not be a security?**
 15 A The meeting was to have a discussion with the
 16 OSC about what Kin was, share the vision. Was not a
 17 presentation to say it is not a security because of X.
 18 It was sharing what the project was, and that came after
 19 what I believe was the OSC was interested to hear about
 20 the project more.
 21 **Q Got it. So it was Kin describing facts about**
 22 **what the product was and the vision for it?**
 23 A Yes.
 24 **Q Okay. What was the outcome of the meeting?**
 25 A The outcome of the meeting was that subsequent

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1 to that, the OSC provided some feedback to attorneys and
 2 that is the -- the only contact I had with the OSC was
 3 during that specific meeting.
 4 **Q Okay. Again, I don't want you to tell me**
 5 **about communications you've had with attorneys for Kik.**
 6 **Did -- what is your -- if you're capable of**
 7 **answering this question without revealing attorney**
 8 **communications, do you know what the feedback the OSC**
 9 **gave was?**
 10 A I do not know the specific feedback.
 11 **Q Did OSC, to your knowledge, indicate that Kin**
 12 **might be securities under Canadian law?**
 13 A I do not know, and there was a discussion with
 14 management and the Blakes attorneys as well as Cooley.
 15 **Q Okay. Did Kin -- was Kin sold in Canada?**
 16 A It was not.
 17 **Q Why not?**
 18 A That was a result of a discussion with
 19 attorneys.
 20 **Q Were there business reasons why Kin wasn't**
 21 **sold in Canada?**
 22 A The reason that it was not sold in Canada was
 23 based on a decision that was made with attorneys.
 24 **Q Okay.**
 25 MR. MITCHELL: What was the decision?

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1 THE WITNESS: To not sell in Canada.
 2 BY MR. LEASURE:
 3 **Q Are you -- you're not a lawyer; correct?**
 4 A I am not a lawyer.
 5 **Q I'm sure, after today, you'll -- you're**
 6 **relieved by that.**
 7 A I started applying to law school last night.
 8 **Q For the record, I suspect that was a joke.**
 9 **Are you -- understanding you're not a lawyer,**
 10 **are you personally aware of any distinction between how**
 11 **tokens would be treated under U.S. versus Canadian law?**
 12 A No.
 13 **Q Okay. Do you know whether -- we've referenced**
 14 **the Howey Test. Do you know whether under -- whether**
 15 **Canadian regulators do or don't apply a variant of the**
 16 **Howey Test?**
 17 A I believe they referenced a four-prong test
 18 that resembles the Howey Test.
 19 **Q Are you aware of any difference between those**
 20 **tests?**
 21 A I do not know.
 22 **Q That's fine.**
 23 **Are there other government regulators -- so**
 24 **Kin was sold to participants in different countries**
 25 **around the world; right?**

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1 A Yes.

2 **Q Including the U.S. and other countries?**

3 A Yes.

4 **Q Not Canada or China?**

5 A Correct.

6 **Q Any other countries it wasn't sold in?**

7 A There were some other countries that I believe

8 had sanctions on the OFAC list or something. There was

9 a decision made to not sell to a few countries.

10 **Q Maybe not North Korea or something like that?**

11 A Yeah. South Sudan, I believe was one.

12 **Q Seems fair. How about Russia? Were they --**

13 A They were included in the public sale.

14 **Q Okay.**

15 **Other than the Canadian OSC, did Kin -- did**

16 **Kik discuss the upcoming, then, Kin distribution --**

17 **token distribution with any other government regulators?**

18 A There was a discussion with the CSA, the

19 Canadian Securities Association -- "Association," I

20 believe. I do not recall if that was before or after

21 the public sale.

22 **Q Any others?**

23 A Not that I'm aware of.

24 **Q Are you -- so are you aware of any outreach to**

25 **the U.S. Securities and Exchange Commission in advance**

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1 **of the Kin token offering?**

2 A I am not aware.

3 **Q Do you know why -- Kik did reach out to the**

4 **OSC. Do you know why Kik did not, at least to your**

5 **awareness, reach out to the U.S. SEC?**

6 A I do not, and the OSC, to my understanding,

7 was they reached out to our attorneys.

8 **Q Okay. So it was not Kik contacting the OSC**

9 **originally?**

10 A To the best of my knowledge, right.

11 **Q That's fine. And I take it Kik is a prominent**

12 **company in Canada and Ontario --**

13 A Yes.

14 **Q -- and it's likely maybe a regulator there**

15 **would reach out?**

16 A Yes.

17 **Q Okay. Fair enough.**

18 **Was there ever discussion -- again, I'm**

19 **cautioning you not to reveal attorney/client**

20 **communications.**

21 A Appreciate that.

22 **Q Was there ever discussion, prior to the token**

23 **event, of registering the Kin token sale with the SEC?**

24 A Not that I'm aware of.

25 **Q Okay. Could Kik have done so?**

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1 A I do not know.

2 **Q You don't know either way? You don't know**

3 **what a registration would involve?**

4 A I don't know what that would look like.

5 **Q Okay.**

6 **Following the dialogue with the OSC, did Kik**

7 **meet with other government agencies in Canada to**

8 **influence or overturn the OSC's views on the Kin tokens?**

9 A I believe Ted and Peter had some discussions

10 with some other members of Canadian government who were

11 familiar with Kik and they had existing relationships.

12 I am not sure when those conversations took place, if at

13 all.

14 **Q Did you participate in them?**

15 A No.

16 **Q Did you help prepare for them?**

17 A I did not.

18 The -- sorry, the -- there was -- I recall

19 mapping out where some of the different -- who some of

20 the different regulators were in Canada and what the

21 regulatory bodies were responsible for.

22 **Q Got it.**

23 A So that would be the extent of any

24 preparation.

25 **Q Do you know the outcome of what sounds like**

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1 **Misters Livingston and Heinke's meetings with other**

2 **government bodies in Canada was?**

3 A No.

4 **Q To your knowledge, has Kik ever met with other**

5 **agencies of the U.S. government other than the**

6 **Securities and Exchange Commission --**

7 A Not that --

8 **Q -- in connection --**

9 A Not that I'm aware of.

10 **Q Okay.**

11 **We're going to turn to the public sale of Kin,**

12 **which we understand happened in September of 2017.**

13 **Correct me if I'm wrong, as part of that, Kik required**

14 **people who registered for the public sale to provide**

15 **certain information about themselves to Kik?**

16 A Correct.

17 **Q And that was in connection with other -- what**

18 **Kik perceived as other regulatory requirements that**

19 **might be out there?**

20 A Correct.

21 **Q That's fine.**

22 **What data did they collect? Categories of**

23 **data.**

24 A The place of residence, age. I believe those

25 were the two main components. There was other

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1 components of that, like identifying place of residence
2 via passport or government-issued identification as well
3 as age and some other demographic data, I believe. And
4 intended participation amount.

5 **Q Got it. Right. They had to indicate the**
6 **amount they were likely to want?**

7 A Yes.

8 **Q Did you get names?**

9 A Yes.

10 **Q Okay. So names, age?**

11 A E-mail address.

12 **Q E-mail address. Country of residence?**

13 A Yes.

14 **Q You had said other demographic data. Are you**
15 **able to --**

16 A I can't recall if there was male or female or
17 not.

18 **Q Male, female, things like that? Did -- and**
19 **Kik has that data?**

20 A That data was provided to a company called
21 IdentityMind, which was contracted by Kik.

22 **Q As part of the compliance --**

23 A Yes.

24 **Q -- process? Did anyone at Kik ever analyze**
25 **that data?**

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1 A Yes.

2 **Q Tell me about that.**

3 A There were some misreads on the passports.
4 Sometimes the image recognition on the passports did not
5 go through, and some employees of Kik did a manual
6 review of passports versus facial recognition.

7 Some of that data was also aggregated into
8 spreadsheets to look at demographics for intended
9 participants in the token sale, including country of
10 residence and amount of participation intended.

11 **Q And I'll tell you, I see in some documents,**
12 **including some you might be at on, that prior -- I think**
13 **when people were registering, there was some analysis of**
14 **the average age of participants? Does any of that --**

15 A Yes.

16 **Q -- ring a bell for you?**

17 A Yes.

18 **Q Okay. I can show you a document, but I can**
19 **also just ask you: Why was that being looked at by Kik?**

20 A The average age, I don't recall the specific
21 reason, but it was looking at where they would fit
22 likely in users and developer cohort, given that that is
23 the intended audience.

24 **Q Right. So the age might tell you something**
25 **about what their potential participation in the**

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1 **ecosystem is in the future?**

2 A Potentially.

3 **Q I mean, can you flesh that out a bit for me,**
4 **how that is?**

5 A I don't recall specifically why the ages were
6 collected. I do recall that they were collected and
7 analyzed.

8 I believe it was as a data point for the
9 company to get a general understanding of what types of
10 people were intending to purchase in the sale.

11 **Q Okay. If -- when I took a look, the**
12 **average -- I think we've gathered some of that data from**
13 **Kik. The average age of Kik purchasers, I think the**
14 **mean and median both were a little under 35. Like, 34.5**
15 **or something?**

16 A Sounds about right.

17 **Q Does that sound roughly in the ballpark to**
18 **you?**

19 A Yes.

20 **Q Okay. We -- how does that -- would you agree**
21 **that their -- that doesn't perfectly overlap with the**
22 **average age of the Kik messaging app?**

23 A Yes.

24 **Q Would you agree that the demographic of,**
25 **again, the average Kin purchaser, is not -- does not**

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1 **perfectly mirror the demographic of the average Kik**
2 **messaging app user?**

3 A Correct.

4 **Q Okay. Why is that? What do you think?**

5 A I believe that Kin was designed not just for
6 Kik Messenger, and Kik Messenger, of all of the
7 potential apps that would participate in the Kin
8 ecosystem, skews on the younger side. So there would be
9 a lot of people that are interested in participating in
10 this ecosystem that would not necessarily use Kik
11 Messenger.

12 **Q Got it. This wasn't Kik Points where it had**
13 **to be on the Kik messaging app; right?**

14 A Correct.

15 **Q So that didn't cause heartburn then within Kik**
16 **that Kin purchasers weren't necessarily active users on**
17 **the Kik messaging app?**

18 A No.

19 **Q Okay.**

20 **Does the average age of the Kin user, which**
21 **I've represented is a hair under 35, does that tell you**
22 **anything about the expected, you know, uses in the**
23 **future of people who bought Kin?**

24 A It could infer developer cohort or what other
25 applications have that same type of demographic data.

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1 **Q** Let me ask you -- we looked at Exhibit 35 --
 2 A Yep.
 3 **Q** -- which was one of the stickers included in
 4 the sticker packs; correct?
 5 A Correct.
 6 **Q** Are sticker packs and status materials like
 7 this likely to be of interest to people who are 35 and
 8 older, in your experience?
 9 A In some geographies, I would say yes.
 10 **Q** Which geographies?
 11 A Predominantly -- I know Japan is very
 12 prominent with stickers. Some other geographies in the
 13 Asian region, based on what we've seen with some of the
 14 other applications that use them.
 15 But there is likely a large cohort of
 16 participants in the public sale that this would not be
 17 attractive to.
 18 **Q** Okay. And if you accept my assumption that
 19 approximately over half of the Kin purchasers were over
 20 35, on the distribution, would you agree that the
 21 over-35 purchasers, on average, would be less likely in
 22 the MVP that was available?
 23 A Yes.
 24 **Q** Okay. How about in the U.S.? Are sticker --
 25 are status and stickers popular amongst older people?

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1 **You had referenced Japan, and I think East Asia.**
 2 A I believe they are relatively popular in the
 3 U.S. Not as much in the Asian markets. I don't spend
 4 as much time analyzing the content. That's more on the
 5 product side.
 6 **Q** Understood.
 7 **In advance of the public sale, did Kik**
 8 **research how people might use Kin in a future Kin**
 9 **ecosystem?**
 10 A In Kik or other apps or?
 11 **Q** Anywhere, yeah. Not just on Kik.
 12 A Yes. The -- I mean, the premise behind pretty
 13 much everything with Kin was a lot of these digital
 14 services where you have what I would -- I think Ted
 15 wrote about it as a digital sharing economy, which we're
 16 starting to move to, where you have content creators
 17 that are not necessarily just the app developers, but
 18 people are empowered in a lot of these communities to
 19 provide value for each other. Those are areas that made
 20 a lot of sense.
 21 I know that Partnerships team did some work on
 22 segmentation around which digital communities would lend
 23 themselves best to a Kin token, which was content,
 24 gaming, community-based knowledge sharing. Things of
 25 that nature.

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1 **Q** Let me ask. We see research prepared by
 2 Sylvain Labs. Was that in connection with the effort
 3 you just described, or was that something different?
 4 A I believe that was separate. I don't know if
 5 I've seen the Sylvain Labs report.
 6 **Q** Okay. Were you involved in it?
 7 A No.
 8 **Q** Who was?
 9 A The marketing and Product team.
 10 **Q** Led by Erin Clift?
 11 A And Eran Ben-Ari.
 12 **Q** And Eran Ben-Ari.
 13 Give me a second.
 14 **When you -- do you have a demographic in**
 15 **mind -- and let's focus on age, because we've talked**
 16 **about that.**
 17 **Do you have a demographic in mind when you**
 18 **think about the future Kin ecosystem as it's -- I don't**
 19 **want to use the world "built out," because we've covered**
 20 **that, but as, you know, more people are attracted to it,**
 21 **more things can be done with it? Do you have an age**
 22 **demographic in mind?**
 23 A I believe anyone who has a smartphone, Kin
 24 would be valuable to.
 25 **Q** Okay. So your view is not that this is a --

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1 **this is going to be a young person's ecosystem?**
 2 A No.
 3 **Q** Okay. Do you know if other people at Kik have
 4 a view on that?
 5 A I believe almost everyone has the view that
 6 this will be an economy that powers everything that
 7 happens through our phones.
 8 **Q** And in the process of getting there, where
 9 everyone with a smartphone could be a user of Kin, is
 10 there a network effect or a core group of people who
 11 might be early adopters?
 12 A Yes.
 13 **Q** Who is that?
 14 A You're asking me specific? I believe --
 15 **Q** Yeah.
 16 A -- that early adopters typically fall in the
 17 age 20 to 30 bucket.
 18 **Q** Okay. I'll represent to you that some of the
 19 Sylvain Labs analysis seems to focus on late teens,
 20 early 20s and how they might use Kin in the future.
 21 A Okay.
 22 **Q** It appears. And I'm just trying to understand
 23 is that for purposes of thinking about early adopters?
 24 A I'm not sure. I haven't seen the Sylvain Labs
 25 report.

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1 **Q Okay.**
2 A It may have been shared with me, but I don't
3 recall reviewing it.
4 **Q That's fine. I understand that.**
5 **Is there at all any focus within Kik, since**
6 **the public sale, on attracting early adopters and a**
7 **younger age cohort?**
8 A For Kik Messenger specifically?
9 **Q I apologize, to the Kin ecosystem.**
10 A To the Kin ecosystem?
11 **Q Yes, sir.**
12 A The Kin ecosystem is being targeted to anyone
13 who's building a consumer application that I would say
14 has community attached to that.
15 **Q So as to attracting attention to Kin, it's --**
16 **the efforts are indifferent as to the age of users?**
17 A I believe there has been significant efforts
18 from some of the Partnerships team on some of the
19 applications that have a younger demographic -- in your
20 kind of 20s and maybe late teens -- but is not agonistic
21 to those that have user bases outside of that.
22 **Q Right. It wouldn't turn that down?**
23 A No.
24 **Q But the focus from the Partnership team has**
25 **been on applications or uses from teens and early 20s?**

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1 **Is that your understanding?**
2 A Not exclusively.
3 **Q No, I understand not exclusively, but has more**
4 **attention been paid to it?**
5 A I -- the Partnerships team, I believe, has
6 broken out their segmentation around use cases and not
7 necessarily specific demographics.
8 **Q And let's go back. Tell me about the**
9 **Partnership teams -- team.**
10 A The Partnerships team is led by Dany Fishel.
11 There are members of that team that work in,
12 predominantly, New York -- I believe there's some in
13 Israel, a couple in Waterloo -- and they work to
14 identify potential applications that would benefit from
15 the Kin ecosystem, evangelize Kin, and have worked to
16 surface that to the Kin Foundation.
17 BY MR. MITCHELL:
18 **Q What do you mean "evangelize"?**
19 A "Evangelize" would be to do some deeper
20 education around Kin and look at what potential
21 integrations may look like.
22 **Q Educating who?**
23 A Developers.
24 **Q So the Kin Partnership team is educating**
25 **people who work in another company?**

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1 A Yes.
2 **Q And then what do you -- you said something**
3 **about they did something to pass it along to the --**
4 A They -- I said "surface" --
5 **Q Surface.**
6 A -- to the Foundation. And the Foundation --
7 for example, the developer program would be an example
8 of that. They did grants for 45 developers. Some of
9 the developers that are in the developer program were
10 pushed to the developer program through this
11 evangelizing that I had talked about.
12 **Q And who at the Foundation are they surfacing**
13 **it to?**
14 A Ted and William.
15 **Q Anybody else?**
16 A Those are the only two members of the
17 Foundation.
18 **Q And so, like, personally, they're e-mailing --**
19 **they're talking to Ted and saying these are some**
20 **candidates; you should go contact them?**
21 A Yes.
22 **Q And then Ted is contacting them?**
23 A Tad has had some discussions, and William has
24 had some discussions, with some of these developers.
25 Sometimes the -- they have not talked to all the

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1 developers in the developer program.
2 For example, the Foundation put together a
3 developer program that had 45 participants, and this
4 Partnerships team pushed some of the people that they
5 have talked to into the final four application review.
6 **Q Okay. So Kik employees put some of those**
7 **people into the funnel?**
8 A Yes.
9 **Q And so is the Partnership team trying to**
10 **recruit people to sort of adopt Kik into their apps so**
11 **that they -- so that they and their users can use Kin in**
12 **the future?**
13 A Kin not Kik, but yes.
14 **Q Yeah. Kin in the future?**
15 A Yes.
16 **Q All right.**
17 BY MR. LEASURE:
18 **Q Let's turn to -- we've talked quite a bit**
19 **about the public sale, if I can --**
20 A Yeah.
21 **Q -- call it that. I want to turn to marketing**
22 **it.**
23 A Okay.
24 **Q We talked about a roadshow; right? And so --**
25 **and the various venues for that. Did --**

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1 MR. MITCHELL: Can I just ask something?
 2 Was the roadshow part of raising awareness for
 3 the token distribution event?
 4 THE WITNESS: It was about raising awareness
 5 for the ecosystem as a whole as well as the token
 6 distribution event.
 7 BY MR. LEASURE:
 8 **Q People asked questions about the token**
 9 **distribution event and people from Kik answered those**
 10 **questions; right?**
 11 A Yes.
 12 **Q Okay.**
 13 **Other than the roadshow, at a high level, how**
 14 **did Kik market the public sale?**
 15 A A lot of the marketing, outside of speaking
 16 engagements, was having a touchpoint in some of the
 17 popular channels for developers. For example, Reddit
 18 was one doing some writing on medium and blog posts.
 19 It was a lot of out-bound marketing. Twitter
 20 would be another example. And I believe some members of
 21 the marketing or Partnerships team did some other
 22 speaking engagements.
 23 I had mentioned Botness yesterday. I believe
 24 there may have been some others; I don't recall
 25 specifically. There was also interviews with media

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1 A Yes.
 2 **Q -- to this? Can you tell me about that?**
 3 A Yeah. So there was a lot of traffic in the
 4 Slack channels and needed to hire some more community
 5 managers, because originally it was Ory, myself, and
 6 Rod, and we also have other day jobs.
 7 So initially hired some community managers.
 8 They initially were hired in Waterloo, given there's a
 9 large student base there and they had not gone back to
 10 school, so it was a good hiring pool.
 11 They reported to me initially, given I was, of
 12 the three of us, the one that was on site in Waterloo,
 13 and then was initially -- and then subsequently handed
 14 off to the marketing organization, because that's more
 15 where it fits.
 16 **Q Got it. Can we take a brief break for the**
 17 **reporter?**
 18 **Off the record.**
 19 A Cool.
 20 THE VIDEOGRAPHER: This ends disk number one.
 21 Going off the record. The time on the video monitor is
 22 11:37 and 29 seconds a.m.
 23 (A recess was taken from 11:37 a.m. to 11:41
 24 a.m.)
 25 THE VIDEOGRAPHER: This begins disk number

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1 outlets, so it was written about in publications. That
 2 was majority of it.
 3 **Q Great. Okay.**
 4 **And so social media and social media sites**
 5 **were a prominent part of the marketing efforts?**
 6 A Yes.
 7 **Q I see Slack. You -- did you guys -- I don't**
 8 **know the nomenclature for how things work on Slack. Did**
 9 **you guys have a Slack channel?**
 10 A Good nomenclature. And, yes, we did have a
 11 Slack channel.
 12 **Q Okay. Who ran that?**
 13 A The -- it was set up by a gentleman named Ory
 14 Band, who was one of the community managers at the time.
 15 He's also an engineer.
 16 I participated in the Slack channel quite a
 17 bit, was a moderator of some of the conversations. Rod
 18 McLeod is the director of communications, and he largely
 19 oversaw a lot of the communications in the Slack
 20 channels.
 21 **Q And I'm not sure exactly on this, but I see**
 22 **reference to, like, dividing up community management**
 23 **responsibilities --**
 24 A Yes.
 25 **Q -- that seem related --**

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1 two. We are back on the record. The time on the video
 2 monitor is 11:41 and 23 seconds a.m.
 3 BY MR. LEASURE:
 4 **Q On the record after a brief break, during**
 5 **which, Mr. Philp, you didn't have substantive**
 6 **conversations about this investigation with SEC staff;**
 7 **correct?**
 8 A No, sir.
 9 **Q Okay. That's right?**
 10 A That's right. Sorry. You've asked the
 11 question different times both ways, and I'm always
 12 thinking about which way did you ask it.
 13 **Q I appreciate that. Thank you.**
 14 **(SEC Exhibit No. 120 was marked for**
 15 **identification.)**
 16 **I'm showing you a document that I've marked as**
 17 **Exhibit 120. This is a two-page printout of an e-mail**
 18 **chain ending May 24th, 2017, with the subject Community**
 19 **Management Responsibilities. And it has the Bates stamp**
 20 **Kik 25159.**
 21 A I'm good.
 22 **Q What is this document?**
 23 A This is an e-mail chain. Brod is the one at
 24 the top, but it looks like it was initially started by
 25 Uriel --

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1 Q Okay.

2 A -- at CoinTree.

3 Q And this is about community management; is

4 that right?

5 A Correct.

6 Q Can you tell me on which social media this was

7 referring?

8 A I believe this was referring to Reddit,

9 Twitter, and Slack.

10 Q I see. And is -- am I reading this right that

11 this is assigning people according to time zones to

12 various topics on those sites?

13 A Correct.

14 Q Okay. I appreciate that. And you were one of

15 the people assigned?

16 A Yes.

17 Q What were you -- I think it's listed here, but

18 what were your assignments over time? Did you have a

19 substantive focus on those social media cites about --

20 that you covered?

21 A Largely, I was responsible for a little bit of

22 everything, to be perfectly honest. It'd be hard for

23 me to -- engineering was not an area that I was focused

24 on.

25 The other aspect was given that I had spent a

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1 lot of time with our lawyers, would provide some general

2 summary on some of the compliance areas.

3 Q Including compliance with the securities laws?

4 A Yes.

5 Q Okay. There's some reference to that in this

6 document. Am I reading that correctly?

7 A Yes, I saw that as well. Do you mind pointing

8 me to it? I don't see it, sorry.

9 Q Well, let me show you two where I thought it

10 might be. The beginning of the e-mail from Uriel Paled

11 at CoinTree, right at the end on page 2, he writes: Key

12 guidelines. Be very cautious about answering anything

13 relating to investments.

14 Do you see that? It might be on the other

15 page, sir. I'm sorry.

16 A Yes.

17 Q I'm curious what that guide -- if you have any

18 sense of what that guidance, anything relating to

19 investments being cautious about?

20 A I believe the intent here was not talking

21 about Kin publicly as an investment.

22 Q And why did you want to avoid that?

23 A For compliance reasons --

24 Q Include --

25 A -- as --

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1 Q I'm sorry.

2 A -- as well as was not really the vision for

3 Kin as well. So I would say a mix of business and

4 compliance.

5 Q And the compliance reason being -- among them

6 being securities laws?

7 A Yes.

8 Q Okay.

9 Just curious, one of the -- if you look on

10 this page, the page you're on, the second page, one of

11 the people getting an assignment here is Ted. I take it

12 that's Ted Livingston?

13 A Yes.

14 Q So Ted was involved in -- Ted Livingston was

15 involved in monitoring and responding to social media

16 posts?

17 A I believe he dropped in a few times, but it

18 was not often, given he is the CEO and had a lot of

19 other things to do.

20 Q He's a busy man?

21 A Yes.

22 Q Okay.

23 Jake Brukman at CoinFund, do you see him on

24 this chain?

25 A Yes.

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1 Q Okay. He writes: Can we make sure to get

2 clear guidelines from Kik's legal team about what is and

3 is not off-limits to talk about with respect to the sale

4 and the -- and investments?

5 Yes or no, did those -- were there -- did you

6 obtain those guidelines?

7 A I believe we did, yes.

8 Q Okay. I think we're done with that. Thanks.

9 In terms of marketing, was there a person or

10 people who were the face of Kin marketing efforts?

11 A When you say "the face," like,

12 publicly-facing?

13 Q Yes. Yeah.

14 A I would say Ted for sure was the prominent

15 face of the marketing efforts. Rod was the head of PR

16 and communications, so he was very prevalent in a lot of

17 the community channels.

18 Erin obviously, as CMO, did a lot of work

19 behind the scenes. I wouldn't call her the face of it.

20 There were a few others that were involved in

21 channels. For example, I had participated in the Slack

22 channels. Not as much on Reddit or Twitter. Yeah.

23 Q Okay. Most of the, like, YouTube videos and

24 the like that we see where a person is talking or

25 chatting seems -- about Kin seems to be Ted Livingston.

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1 A Yes.
 2 **Q Is that right?**
 3 A Yes.
 4 **Q And that's by design that Ted --**
 5 A Yes.
 6 **Q -- is sort of -- okay.**
 7 **There's -- did Kik hire a public relations**
 8 **firm called Wachsmann?**
 9 A Yes.
 10 **Q Who are they?**
 11 A They are a PR firm based out of New York. Rod
 12 hired Wachsmann.
 13 **Q And why did Rod hire Wachsmann?**
 14 A We -- I can't speak specifically to why Rod
 15 hired them. He's head of communications and PR. I know
 16 he's hired a lot of different firms in the past. Our
 17 Communication team outsources a lot of efforts.
 18 **Q That's fine. What did they do for Kik in**
 19 **connection with the Kin offering?**
 20 A I believe they helped make some connections
 21 around conferences and media outlets.
 22 **Q Identify media outlets or connect Kik with**
 23 **them?**
 24 A I believe so. I -- it's relatively out of my
 25 domain.

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1 **Q Got it. Who would know about that?**
 2 A Rod McLeod.
 3 **Q Okay. That's his domain?**
 4 A That is his domain.
 5 **Q Is he still at Kik?**
 6 A He is.
 7 **Q Yesterday we saw, in an e-mail -- an early**
 8 **e-mail in March, Mr. Livingston described a value**
 9 **proposition to investors in Kin. Do you remember that?**
 10 A Yes.
 11 **Q I can pull it for you, but the value**
 12 **proposition, would you agree, that he described**
 13 **generally was, you know, as we work on this together,**
 14 **the demand will rise and the value of Kin will rise;**
 15 **correct?**
 16 A Yes.
 17 **Q To your knowledge, was that value proposition**
 18 **presented during the marketing efforts of the Kin public**
 19 **sale?**
 20 A No.
 21 **Q And why is that?**
 22 A That was not the core value proposition of
 23 Kin, and the -- all of the marketing efforts that I saw
 24 were driven around the vision of this decentralized
 25 ecosystem.

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1 **Q If you had to categorize them, what were the**
 2 **major questions people had about Kin before the public**
 3 **sale?**
 4 A The majority of questions were how to
 5 participate in the sale.
 6 **Q The logistics of it?**
 7 A The logistics of participating.
 8 **Q Did people ask about what they could do with**
 9 **Kin?**
 10 A I don't recall any specific instances of
 11 exactly what the use case would be outside of generally
 12 verifying -- like, asking more about the types of
 13 applications that would use Kin such that were in the
 14 white paper.
 15 **Q But -- so we saw, in the white paper, some**
 16 **specific use case like tipping, I think there was a**
 17 **pizza bot, things like that; right?**
 18 A Yep.
 19 **Q Did people ask about whether -- about those**
 20 **use cases and whether they could do that with Kin?**
 21 A They may have. I don't recall seeing any
 22 specifically myself.
 23 **Q You don't recall these questions?**
 24 A No.
 25 **Q Okay. And obviously those were use cases.**

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1 **Those weren't available at the time?**
 2 A Correct.
 3 **Q At the time of the public sale?**
 4 A Correct.
 5 **Q Okay.**
 6 **So let me get your impression for this,**
 7 **because something I've been wondering about is to the**
 8 **extent some users were -- participated -- were**
 9 **interested in participating in the future ecosystem,**
 10 **right? That they anticipated one day -- let's take the**
 11 **user side of the equation.**
 12 **They anticipated one day being able to use Kin**
 13 **to buy online services and goods; right? That's one of**
 14 **the audiences of the Kin public sale; right? People**
 15 **like that; correct?**
 16 A Correct.
 17 **Q Okay. So just what's your impression? Why**
 18 **would they buy Kin in September 2017 when, as far as I**
 19 **know, none of the use cases were in practice yet?**
 20 **And let me augment that, and I do want to hear**
 21 **your reaction. Why wouldn't they wait until October of**
 22 **2018 or March of 2019, whenever it is that some use**
 23 **cases are realized, they could then buy Kin then and use**
 24 **the Kin then?**
 25 A I can't speak to the specific motivations of

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1 all the sale participants, why they would buy it then
2 versus wait.

3 Some -- I would say majority of Kin users in
4 the future have not purchased Kin yet, given that, as I
5 said earlier, I think that Kin will be powering
6 applications that are on all the apps on our
7 smartphones.

8 So given that there were 10,000 participants,
9 I would say that actually is a small cohort relative to
10 the total market. I can't speak to the specific
11 motivations of each of those people, but, I mean, I said
12 yesterday even I bought Ether early on because I was
13 excited about some of the things that may be built on
14 the Ethereum blockchain on decentralized applications.

15 I haven't used Ether, but I purchased it early
16 because I'm excited about what's going to be built
17 there.

18 **Q Okay. And I understand you can't speak to the**
19 **motivations of people, and I take your answer is there**
20 **may well be a lot of people who elected to do just what**
21 **I described, which is wait until more use cases are**
22 **possible on their phones and then buy the Kin; right?**

23 A Correct.

24 **Q That's possible.**

25 **Would you agree that someone who wanted to use**

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1 **drive up by demand?**

2 A Depending on how they decide to price the
3 pizza.

4 **Q Yeah, of course. Yeah, yeah.**

5 A But the entire vision is that as the ecosystem
6 evolves and more demand, the value of the underlying
7 token would increase.

8 **Q Right.**

9 A So yes.

10 **Q Okay.**

11 **We earlier -- I'll put it in front of you just**
12 **to be specific. We earlier looked at the MVP, and I'm**
13 **showing you Exhibit 35 again. You would agree that this**
14 **was one of the sticker pack -- one of the stickers in**
15 **the sticker packs that came with the MVP; right?**

16 A Correct.

17 **Q And the MVP was sticker packs and status --**

18 A Yes.

19 **Q -- that one could unlock on the Kik app --**

20 A Yes.

21 **Q -- correct? How were those sticker packs and**
22 **that unlock status marketed to potential Kin purchasers**
23 **in advance of the public sale?**

24 A I am not aware of what marketing of the
25 stickers did or did not have in it.

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1 **Kin in the future who bought in September 2017 may have**
2 **been anticipating that they could just have -- if they**
3 **buy early, there may be more stuff they can buy in the**
4 **future?**

5 A In the future?

6 **Q Yeah.**

7 A Potentially.

8 **Q That Kin may be cheaper in September of 2017**
9 **than it might be in October of 2019?**

10 A As per the white paper, the kind of whole
11 vision is that as more applications come onboard and
12 more applications integrate this, it will increase the
13 demand of the currency, given it's a finite supply, and
14 the value of those individual tokens would increase in
15 value.

16 So someone could, even just by reading the
17 white paper, assume that as the ecosystem evolves, the
18 value of an individual token relative to that whole
19 ecosystem would increase.

20 **Q Got it. So I'm an -- I'm taking a -- I'm**
21 **trying to take a use case from the white paper.**

22 **I'm an enthusiast of pizza and pizza bots. I**
23 **could buy Kin on the exchange in 2019 in order to buy**
24 **pizza, but if I buy now, in September 2017, I might be**
25 **able to buy more pizza because the value of Kin has been**

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1 **Q Did you tell -- you personally; just what**
2 **you're aware of -- did you personally tell any potential**
3 **Kin purchaser about the availability of sticker packs or**
4 **status on the Kik Messenger app prior to the public**
5 **sale?**

6 A I believe I may have had some discussions in
7 the Slack channel about stickers and status. I don't
8 recall specific instances.

9 **Q You may have, you just --**

10 A Yeah --

11 **Q -- don't remember?**

12 A -- I don't recall.

13 **Q How about anyone else at Kik, to your**
14 **knowledge?**

15 A They may or may not have. I'm not aware.

16 **Q You don't know either any?**

17 A No.

18 **Q Okay. So sitting here today, you're not aware**
19 **of any marketing efforts you can point to by Kik in**
20 **advance of the public sale about sticker packs or**
21 **status?**

22 A I'm not aware of any direct outbound marketing
23 efforts about the sticker packs.

24 **Q Understood. And I -- just because you used**
25 **the terminology, I want to unpack it. You're not aware**

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1 of any direct outbound communications; is that right?

2 A Correct.

3 Q How about any other communications other than
4 that?

5 A I'm not aware.

6 Q Okay.

7 Do you think potential Kin purchasers knew
8 about the availability of sticker packs and status
9 upgrades in advance of the Kin public sale?

10 A I am not. I do not recall when there was an
11 e-mail sent to Kin purchasers on the distribution list
12 about linking their wallet to Kik. I don't recall if
13 that was before or after the sale.

14 Q Do -- and I know the sale involved a
15 multiphase process involving registration and the like;
16 right?

17 A Yeah.

18 Q Do you know -- if there was an e-mail about
19 unlocking status, do you know when in that process --

20 A I don't recall.

21 Q Okay.

22 BY MR. MITCHELL:

23 Q Was that e-mail the first time that Kik told
24 the public about the availability of the sort of status
25 levels in the stickers?

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1 A I believe there was significant data analysis
2 around the usage of the stickers, the status, similar to
3 how -- we call it the Business Insights team, but the BI
4 team usually is a component of the Product team, does an
5 analysis of product and what is being used, where are
6 the good opportunities to iterate.

7 Q And tell me about the analysis. What --

8 A I don't recall seeing the analysis.

9 Q Okay. Do you know if -- did Kik have data on
10 how many people accessed sticker packs?

11 A Yes. I believe it was 18 percent of the total
12 token sale participants.

13 Q That's public? private? both? Do you know?

14 A I believe there was potentially some from
15 the -- I -- there were about 1800 people that linked a
16 wallet, there were 10,000 participants in the public
17 sale, so about 18 percent of Kin holders at the time of
18 the token distribution event. I don't know if it was
19 presale or public sale.

20 Q Got it.

21 MR. MITCHELL: And of the people who linked
22 their wallet, how many of them, like, sent a sticker to
23 somebody else?

24 THE WITNESS: I'm not aware.

25 BY MR. LEASURE:

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1 A I don't recall.

2 Q Are you aware of anything before that e-mail
3 where the status and the stickers were described?

4 A There's nothing I'm aware of.

5 Q Okay. Can you just tell us, like, the e-mail
6 you're thinking of, what does it -- what did it look
7 like?

8 A I remember there was an e-mail that was sent
9 out to the -- to a distribution list of people that had
10 registered about linking their wallets, the actual
11 instructions of how to link a wallet to the wallet that
12 was in the Kik app. I just don't remember when that
13 happened.

14 BY MR. LEASURE:

15 Q For -- so would you agree that if
16 purchasers -- to the extent purchasers didn't know about
17 the availability of sticker packs and status upgrades on
18 the Kik messaging app, to the extent they didn't know
19 about those, would you agree that those purchasers
20 likely didn't buy Kin just to obtain those stickers and
21 status upgrades?

22 A Correct.

23 Q Because they didn't know about? Okay.

24 After the public sale, did Kik ever evaluate
25 the success of the sticker packs and status upgrades?

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1 Q Let's say the status and sticker packs
2 themselves were a flop. Let's say people didn't like
3 the honey badger or the status upgrades that were in
4 Kik; it was just unpopular.

5 How would that impact the Kin project
6 altogether?

7 A So it's a bit of a hypothetical.

8 Q Sure.

9 A The -- any good product organization continues
10 to iterate on products after they're launched, and I
11 don't see it having a significant impact on the
12 long-term longevity.

13 A good example would be the iPhone was
14 released, the first time that you really had a camera in
15 a smartphone. And the first apps that had a camera
16 functionality were a flop, because they were essentially
17 replacement for your typical analog Polaroid cameras.
18 So that's the use case people were looking at, and it
19 was a huge flop.

20 A bunch of people said cameras in the phone
21 are not going to be a thing, if you rewind back to,
22 like, 2006-2007. I remember because my dad had, like,
23 the first batch of iPhones.

24 And that does not mean that down the road
25 other things -- and this is kind of the beauty of

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1 technology is you seed something in the market without
2 knowing exactly what's going to be built and emergent
3 properties happen.

4 So the smartphone was released with a camera,
5 and the first apps sucked. No one used them. The next
6 iPhone did not take out the camera from the iPhone.
7 What we started to see was that other applications
8 started to be built with emergent user behavior, like
9 SnapChat and like Instagram, when back in the day you
10 probably didn't expect that people wanted to take
11 10-second disappearing videos of themselves, you know,
12 eating food.

13 And that ended up being a wildly successful
14 line of applications that ended up getting built on the
15 iPhone.

16 **Q Got it. And for the record, I definitely did**
17 **not expect that when the first iPhone came out, that**
18 **people would take photos like that.**

19 **Would you agree with me that the future**
20 **success or failure of the Kin project altogether didn't**
21 **really hinge on whether people liked the particular**
22 **sticker packs that came out?**

23 A Correct.

24 **Q Okay. Would you agree with me that what --**
25 **again, you don't know the motivations of 10,000**

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1 **tokens that were being distributed?**

2 A Correct. There was a hard cap of 125 million,
3 and 125 million was not sold.

4 **Q Got it. And so how did Kik handle that?**

5 A Kik had -- the sale remained open till
6 September 26th. There was some discussion about what
7 would happen mechanically as to whether there would be a
8 pro rata distribution of unsold tokens or if it was
9 burned.

10 And ultimately, there was a decision to do a
11 pro rata distribution to all of the participants based
12 on the amount that was unsold.

13 **Q So if I bought 0.5 percent of the -- if I**
14 **had -- if my expression of interest was 0.5 percent of**
15 **total, I'd get a top-off of 0.5 percent of the**
16 **additional --**

17 A Yes.

18 **Q -- amount? Okay. Did you think it was**
19 **economically equivalent to give that top-off to people**
20 **versus burning undistributed -- the unsold tokens?**

21 A Yes.

22 **Q Did anyone object to that?**

23 A I don't believe so. Internally?

24 **Q Externally?**

25 A Externally, I believe there was some confusion

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1 **purchasers of Kin, but would you agree with me that**
2 **whatever their motivations were, it likely wasn't solely**
3 **to obtain access to these particular stickers or the**
4 **status that they conveyed?**

5 A Correct.

6 **Q Okay.**

7 **I don't want to walk through all the mechanics**
8 **of the public sale. I take it it was a multi-step**
9 **process; correct?**

10 A Correct.

11 **Q Okay. And your counsel's laid out a lot of**
12 **that for us.**

13 **A few specific questions. At some point,**
14 **people were able to make binding -- and at some point in**
15 **the sales process leading to the TDE, people were able**
16 **to make binding commitments to buy a certain amount of**
17 **Kin; correct?**

18 A People sent Ether --

19 **Q Yeah.**

20 A -- to the public sale address and then at the
21 time that the token sale closed on September 26th, those
22 tokens would be sent to them.

23 **Q Got it. And was there a point where there**
24 **wasn't enough expression of interest in -- given by**
25 **potential purchasers to fill the entire one trillion**

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1 in some of the Reddit channels about that and there was
2 a blog post, I believe, published explaining the pro
3 rata distribution.

4 **Q And after that blog post, did you hear further**
5 **complaints or concerns on social media?**

6 A There were some -- there was some confusion
7 from some public sale participants --

8 **Q Okay.**

9 A -- about that.

10 **Q From your perspective, that was confusion.**
11 **They did not -- they didn't think about the issue**
12 **correctly, in your view?**

13 A Correct.

14 MR. LEASURE: I should say for the record a
15 few minutes ago we were joined by our colleague David
16 Mendel.

17 THE WITNESS: You shaved.

18 MR. MENDEL: I did. I couldn't compete with
19 your beard.

20 THE WITNESS: Oh, come on.

21 BY MR. LEASURE:

22 **Q Did Kik also distribute free Kin to certain**
23 **power users who were active in the existing Kik**
24 **messaging app?**

25 A There was a distribution to some power users

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1 in the Kik app. I don't recall when that happened.

2 **Q Do you remember if it was before or after the**
3 **token distribution event?**

4 A After the token distribution event.

5 **Q Okay, so it was after. Are you able to**
6 **quantify for me roughly a dollar amount of the value of**
7 **the Kin that was thusly distributed?**

8 A I do not recall. It would have been in the
9 order of magnitude of thousands.

10 **Q Not millions?**

11 A No.

12 **Q Okay. And why was that done?**

13 A That was done to seed a product experience in
14 Kik similar to I think what the vision is for a lot of
15 product experiences in not just Kik, but other
16 applications, is to get the product in the hands of some
17 initial early adopters -- in this case power users -- to
18 get some data.

19 **Q And that data would help make -- hopefully**
20 **make the Kin project successful in the future?**

21 A That data would help educate iterations to a
22 product.

23 It's very similar that a product would be
24 rolled out to a subsection of power users that -- I use
25 "power users" because they're very engaged and usually

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1 want to learn how to iterate on that product.

2 **Q Oh, so it's Kik's product people that are**
3 **learning?**

4 A Kik's product people that are learning.

5 BY MR. LEASURE:

6 **Q We see some references in the documents to a**
7 **possible referral program being contemplated in advance**
8 **of the public sale. Does any of that ring a bell for**
9 **you?**

10 A Yes.

11 **Q What can you tell me about that?**

12 A I recall that a referral program was discussed
13 during the time of the token sale, and I don't remember
14 who initially raised it. It did not end up going
15 forward.

16 **Q Why not?**

17 A I believe management made a decision not to do
18 the referral program. I don't recall why.

19 **Q You don't know what their thinking was?**
20 **Management's?**

21 A I think it was in part tied to not reopening
22 registration for the sale, because there was a
23 registration leading up to the sale which was closed
24 three days prior to the sale opening, and there was a
25 discussion about opening registration again, which was

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1 provide a lot of data that helps with iteration --
2 because the company wants more people to be power users,
3 essentially, and it's a common practice not just at Kik,
4 but across consumer tech.

5 **Q Got it. So Kik wanted data, and power users**
6 **were likely to provide data just because of their**
7 **activity?**

8 A They're using the product a lot, so there's
9 going to be a lot of learnings that can come from users
10 that are using a product a lot.

11 **Q And that -- the Kin that was thusly**
12 **distributed, did that come from Kik's own holdings of it**
13 **-- of Kin?**

14 A I believe so.

15 **Q Not the -- I think the Foundation also has**
16 **some; correct?**

17 A Correct.

18 **Q It came from Kik though?**

19 A I believe so.

20 **Q Okay.**

21 A I don't know specifically.

22 BY MR. MITCHELL:

23 **Q I guess I don't understand. Who's learning in**
24 **what you were just describing?**

25 A An app developer who launches a product would

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1 subsequently not decided to move forward.

2 And I believe the referral program may have
3 been tied to that. There may have been other variables,
4 but I don't recall.

5 **Q Okay.**

6 **There were some -- would you agree that there**
7 **were some purchasers in the public sale who**
8 **comparatively invested large equivalent dollar amounts**
9 **or -- in the public sale?**

10 A There were some participants that participated
11 with more Ether than others, yes.

12 **Q Some put in the equivalent of over a million**
13 **dollars worth of Ether into the public sale?**

14 A Yes.

15 **Q What -- did you ever -- we see reference to**
16 **whales in some of the documents. The animal whales.**

17 A Yes.

18 **Q Are those people whales in your view?**

19 A That was a term that was used internally and
20 was probably not the best term to use, given that it has
21 a connotation in cryptocurrency. But it was used to
22 describe some of the larger potential participants in
23 the token sale.

24 **Q And just so I'm clear: What's the connotation**
25 **in the cryptocurrency world of a whale?**

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1 A So the term "whale" actually comes from gaming
2 analogies where in games, mobile games, the whale is
3 typically -- drives a lot of the revenue for a game.

4 You see in-game currencies and in-app
5 purchases, there's actually a lot of data that's been
6 generated around mobile games that I think it's, like,
7 80 percent of the mobile game revenue comes from 2
8 percent of the users, and they're typically called
9 whales in a mobile game.

10 **Q Do you know why, of those people -- we can**
11 **call them whales or just large purchasers -- do you know**
12 **why they purchased so much Kin?**

13 A I don't know specifically why they purchased
14 so much.

15 **Q You talked to some of them; correct?**

16 A I did.

17 **Q Was there an effort to speak to -- in advance**
18 **of the public sale, was there an effort to reach out to**
19 **large -- people who expressed interest in large amounts**
20 **of Kin?**

21 A Yes.

22 **Q Okay. Tell me about that.**

23 A I had communication with, I believe, around 10
24 of the larger -- the people that indicated a larger
25 intended participation amount. That was a decision made

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1 by the company to have someone reach out to these
2 participants to offer more resources, if they wanted to
3 learn more about the project, and establish a touchpoint
4 with these people who had indicated a large amount that
5 they wanted to participate with.

6 **Q And so you then did that?**

7 A Yes.

8 **Q And what information did you provide them,**
9 **generally?**

10 A I had a few conversations with these people,
11 and generally opened myself up as a resource to ask
12 further questions about the white paper or anything that
13 they had any questions about, whether it was function of
14 participating or questions about the project itself.

15 **Q And what questions did you get from those**
16 **people?**

17 A Most of the questions revolved around the
18 actual function of participating, how the structure of
19 the sale would work, given that there was a 24-hour cap
20 and then there was a subsequent second participation.

21 So these people had indicated larger amounts.
22 They would have to do essentially two purchases in the
23 Kin token sale, so they were asking about function of
24 how to participate.

25 **Q What else? What else did they ask about the**

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1 **Kin project?**

2 A There were a couple questions about Kik
3 Points, if I recall.

4 Most of the conversations were generally short
5 and revolved around the function of the sale, how to
6 actually participate in the two sections.

7 **Q Would you agree with me that someone who's**
8 **purchasing a million dollars worth of Kin, as opposed to**
9 **someone who's purchasing \$20 worth, that that million**
10 **dollar purchaser is more likely to be treating it as an**
11 **investment?**

12 A There's a possibility that they have different
13 motivations than someone that is purchasing \$20 worth,
14 but I don't know specifically the motivation of each
15 person.

16 **Q Sure. Do you think it's likely that someone**
17 **purchasing a million dollars worth of Kin was hoping to**
18 **use that full million dollars in the ecosystem in the**
19 **future?**

20 A It's possible. It's possible they were
21 looking to sell some of it as well.

22 **Q As an investment?**

23 A I don't know why they -- what their specific
24 intention would be, but they could potentially be
25 selling it to -- at an increased value.

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1 **Q Okay.**

2 **Just the names -- a few names. There's an**
3 **individual, seemed to have purchased a lot of Kin, named**
4 **Farange, F-A-R-A-N-G-E, Yusupov, Y-U-S-U-P-O-V. Does**
5 **that ring a bell?**

6 A The e-mail rings a bell, yes.

7 **Q The name -- that --**

8 A I mean the name attached to the -- is that his
9 name?

10 **Q I think that's his name --**

11 A Okay.

12 **Q -- but I'm not --**

13 A Then, yes, it rings a bell.

14 **Q Okay. Did you communicate with that person?**

15 A I believe so.

16 **Q Tell me about that.**

17 A I don't recall the specific communications.
18 May have had a brief phone call with this person, but
19 likely was an e-mail first and then potentially may have
20 connected for a phone call.

21 Usual -- I think with the people that I did
22 reach out to, it was pretty standard e-mail. Hey,
23 wanted to connect. If you -- saw you had indicated a
24 larger participation amount. Wanted to open myself up
25 as a resource in case you had any questions.

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1 **Q Got it.**
2 **There are brothers with last name Wang --**
3 A Yes.
4 **Q -- Harrison and William Wang?**
5 A Yes.
6 **Q You know them?**
7 A I am familiar if the Wang brothers.
8 **Q You communicated with them about their**
9 **purchase of Kin?**
10 A Yes.
11 **Q And you would agree that they were, if not**
12 **whales, large purchasers of --**
13 A Yes.
14 **Q -- Kin? Tell about your communications with**
15 **them.**
16 A I had a short phone conversation with
17 Harrison, I believe. I can't remember which one.
18 Subsequent to that, had some e-mail dialogue
19 with them prior to the sale. And then after the sale,
20 they had multiple -- on multiple occasions had e-mailed
21 me making some claims that we had claimed things about
22 being on exchanges or something about the burning of
23 tokens.
24 There was a few things that they were
25 insisting were true, which I believed to not be true.

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1 And also subsequent to all of that, they connected with
2 our -- with a couple members of the Partnerships team,
3 because they work at Flipagram, and Flipagram was
4 interested in operating within the Kin ecosystem, and
5 that was something I was aware of because on the first
6 conversation, Harrison also mentioned that he was an
7 employee at Flipagram and he was -- thought that there
8 could be an interesting use case there.
9 **Q So that was a promising lead at the time?**
10 A At the time.
11 **Q Okay. I've seen some of the e-mails post-sale**
12 **where they use some, would you agree, strong accusations**
13 **--**
14 A Yes.
15 **Q -- against Kik?**
16 A Yes.
17 **Q And among other things, they say Kik misled**
18 **them about Kin being listed on exchanges --**
19 A Yes.
20 **Q -- correct? And they complained about the --**
21 **I'm calling it top-off, but I -- versus a burn; correct?**
22 A Yes.
23 **Q Do you think their complaints had merit?**
24 A I do not.
25 **Q Particularly on the exchanges, what was their**

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1 **complaint?**
2 A They made a statement in the e-mail that there
3 were statements made by the company that Kin would be
4 for sure listed on exchanges. They actually, I believe,
5 referenced some Tweets about being listing on exchanges,
6 which I, subsequent to seeing that e-mail, went and
7 reviewed all of the Tweets from any of the communication
8 channels; did not see anything.
9 I was not aware of any communications about
10 exchanges externally, which is why I said I believe that
11 their statements in that e-mail were false.
12 **Q And how did you resolve it with the brothers**
13 **Wang? What happened?**
14 A There were some e-mail dialogues back and
15 forth, and through that process, was also staying
16 engaged with our attorneys.
17 **Q Okay. Are they still dissatisfied or angry at**
18 **Kik?**
19 A Not to my knowledge. The few members of the
20 Partnerships team had subsequently had conversations
21 with members of Flipagram, which Harrison was a part of,
22 and he actually specifically apologized for the e-mail
23 chain prior to that.
24 There was actually one time where I met him in
25 person because I happened to be in the same city as some

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1 of the members of the Partnerships team, and they were
2 getting lunch with the guys from Flipagram, so I joined.
3 And at the lunch, he actually explicitly apologized for
4 all of the e-mails from him and his brother and said
5 that they were off base with those comments.
6 **Q Okay. And these are U.S. people?**
7 A Yes.
8 **Q Okay. Where'd you meet them?**
9 A Where did I meet them?
10 **Q Yes.**
11 A In Los Angeles.
12 **Q Okay.**
13 **Did you think that buying Kin -- again, this**
14 **is in advance of the public sale. Did you think that**
15 **buying Kin was risky?**
16 A I thought that any cryptocurrencies are
17 inherently volatile and there is risk associated with
18 buying cryptocurrencies.
19 Kin being a cryptocurrency and being a liquid
20 cryptocurrency, there -- the volatility would
21 potentially have an impact there.
22 **Q Okay. And do you think -- it's possible that**
23 **the Kin project greatly succeeds; correct?**
24 A Yep.
25 **Q And in that case, the value of Kin would go**

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1 up; right?

2 A Yes.

3 Q And it's possible that the Kin project, even
4 today, could fail?

5 A Yes.

6 Q Right? People won't be attracted to the
7 ecosystem; right?

8 A Yes.

9 Q And in that case, the value of Kin would go
10 down?

11 A Yes.

12 Q Potentially to zero; right?

13 A Yes.

14 Q And would you agree that a -- some portion of
15 that outcome, whether it's successful or failure, rests
16 on, you know, the success of work that Kik and its
17 employees are doing today?

18 A I do not believe so.

19 Q You don't think it matters at all what Kik and
20 its employees are doing today?

21 A I wouldn't say it doesn't matter at all, since
22 Kin -- Kik is a participant in this ecosystem, just like
23 any app developer would be.

24 Kik is the first app developer that integrated
25 Kin, but I would not say that that all rests on Kik.

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1 Q It in part rests on Kik, would you agree with
2 that?

3 A I believe that it rests on anyone who's
4 integrating Kin and using Kin, and Kik is one of the
5 applications that's using Kin.

6 Q Let's say, however unpleasant a
7 counterfactual, or unpleasant hypothetical, let's say
8 Kik went out of business in late September of 2017, or
9 Kik stopped supporting the ecosystem immediately after
10 issuing Kin. Do you think that would make it more
11 likely that the Kin project would fail?

12 A No.

13 Q You think it -- if Kik stopped supporting the
14 ecosystem in September of 2017, do you think it's just
15 as likely that Kin could succeed in the future?

16 A Yes.

17 Q So in your view, the main driver of the
18 success or failure of Kin is not Kik at this point?

19 A Correct.

20 Q And even at the time of the public sale, it
21 was not Kik?

22 A Correct.

23 Q Who then is determining the future success or
24 failure of the Kin project?

25 A I believe that Kin is going to be and is

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1 driven by the community of both developers and users.

2 The reason I truly believe that is looking

3 back at the first white paper that was ever written,

4 Bitcoin, was essentially an incentive protocol or an

5 idea that was put into a document and dropped

6 anonymously into the web, and it resonated with a lot of

7 people that came and started building around that and

8 there was a coordinated effort from a broad set of

9 participants to actually build around that.

10 And the reason I believe Kin would continue to

11 succeed without Kik is that the white paper, and all of

12 the ideas posited in the white paper and communications,

13 was introducing this fundamentally new business model

14 that a lot of people and developers see is very

15 important, and I believe that if Kik went out of

16 business in this hypothetical that you mentioned, there

17 would be a lot of developers that would start building

18 around this and would, like the white paper, galvanize

19 those developers.

20 BY MR. MITCHELL:

21 Q In September -- if Kik had gone out of
22 business at the end of September of 2017, you think
23 there would have been developers who did that?

24 A Yes.

25 Q What developers?

Page 433

1 A I don't know.

2 Q Just one name?

3 A I can't say a specific name of a developer. I

4 think that the vision for Kin is powerful and will

5 galvanize a group of developers.

6 I mean, we saw some that were excited in the

7 presale process. We saw some that were excited. We see

8 it in the Reddit communities all time; people talking

9 about what's going to get built here.

10 There's a lot of people that are now building

11 on this through the developer program or built an

12 initial bot. I believe there was some community members

13 that built a Kin bot right around the time of the token

14 sale. Those are examples of people.

15 Q And that's a bot that was on the Kik app?

16 A I don't recall if it was on the Kik app or if

17 it was on another platform.

18 Q What do you remember about it?

19 A I remember our Product team talking about how

20 they saw something in a Reddit channel of a community

21 member who built a bot.

22 Q So you don't know if any -- do you know -- any
23 firsthand knowledge whether anybody built a bot?

24 A I personally have not spoken to a bot

25 developer.

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1 **Q** Okay.

2 And are -- developers are really only

3 interested in the Kin token for the site? The idea of

4 sort of a digital asset ecosystem?

5 A They are excited about a coordinated effort of

6 developers coming together to fight against monopolies

7 and have this disruptive business model.

8 **Q** And they're only interested in that if people

9 are using the Kin token?

10 A If people are using the Kin token.

11 **Q** Right. So the developers you know, they're

12 not interested in making that kind of community if it

13 involves something other than the token?

14 A They could use another token, potentially.

15 **Q** All right. Do you know if any -- are they?

16 A There are a lot of developers out there, and

17 some of them might be using another token.

18 **Q** Okay. But you think that if Kik had gone out

19 of business right after the sale, that developers would

20 have flocked to the Kin token to run this?

21 A I do. You're asking me a counterfactual

22 hypothetical, and I am giving you my opinion.

23 **Q** Okay.

24 MR. GIBBS: You just want to ask again?

25 MR. MITCHELL: Yeah. No, no.

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1 MR. GIBBS: Okay.

2 BY MR. MITCHELL:

3 **Q** But do you have any developers who have told

4 you that -- about -- that they wanted to do that?

5 A I've seen a lot of things in Reddit of people

6 very excited about that, a lot of Tweets about this, and

7 I hear a lot of that from the product and Community

8 teams who are on the front lines. I do not spend time

9 in the community channels every day.

10 **Q** Okay.

11 BY MR. LEASURE:

12 **Q** Are there other tokens like Kin that have been

13 issued over the past year or two?

14 A I believe there are some that are analogous.

15 PROPS, for example, would be one that was announced. I

16 don't think they've issued their token, but it was a

17 similar component.

18 It's a little bit more confusing, because they

19 have multiple tokens, but I would not say there is a

20 direct competitor to Kin at this time.

21 **Q** The vision for Kin, could someone copy it?

22 A Yes.

23 **Q** There's no intellectual property or --

24 A Nope.

25 **Q** -- patent that Kik has?

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1 A No. Just like someone could fork Bitcoin.

2 **Q** Sure.

3 A And have forked Bitcoin.

4 **Q** Right.

5 **Why don't we go off the record.**

6 THE VIDEOGRAPHER: Going off the record. The

7 time is now 12:26.06 p.m.

8 (A recess was taken from 12:26 p.m. to 1:24

9 p.m.)

10 THE VIDEOGRAPHER: We are back on the record.

11 The time on the video monitor is 1:24 and 31 seconds.

12 MR. LEASURE: Thank you.

13 Back on the record after a brief lunch break,

14 during which, Mr. Philp, did you have any substantive

15 conversations about this investigation with the SEC

16 staff?

17 THE WITNESS: No, sir.

18 MR. LEASURE: Thank you.

19 BY MR. MITCHELL:

20 **Q** In the morning, we were talking somewhat about

21 developers and the idea that some developers may have

22 bought in the -- bought Kin tokens to sort of use in

23 their business.

24 A Yes.

25 **Q** Can you just explain -- I guess I'm just

Page 437

1 trying to understand sort of what -- why people -- why,

2 in your -- in your conversations with people, or your

3 idea of why people -- why developers would buy.

4 A So I see two reasons why a developer would

5 buy.

6 **Q** Yep.

7 A One, they would own some of the Kin that they

8 would be able to distribute to users. So you launch a

9 new product, get it in the hands of users, as I talked

10 about an MVP for a developer and their product, and

11 would distribute Kin to those users, similar to how Kik

12 distributed some of -- some Kin to its power users.

13 So that would be a reason, as well as

14 developers having some Kin that as demand increases and

15 the value of that Kin increases, they're able to fund

16 some of their operations.

17 **Q** Sorry, how would they fund their operations?

18 A They have Kin, similar to, like, the Kin

19 Rewards Engine, for example. Kin Rewards Engine pays

20 out -- as stated in the white paper, would pay out Kin

21 based on economic activity. That's the way to create a

22 sustainable business, because they have Kin that they

23 can then use to fund their operations by selling for

24 another currency, whether that is other cryptocurrency

25 or fiat currency.

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1 Q Okay. And so of the two, the second one is
2 this funding idea. Is -- the first idea, is that also
3 called -- in your mind, is that called "seeding"?

4 A I call it seeding, but, yeah, giving -- like,
5 giving to users so that they can use it.

6 Q Okay. Okay. And so -- great. Thanks.

7 BY MR. LEASURE:

8 Q Let me show you what I think might be related
9 documents, but I don't know.
10 (SEC Exhibit Nos. 121 and 122 were marked for
11 identification.)

12 I've marked these documents as Exhibits 121
13 and 122. Maybe, if it helps, I'll identify for the
14 record.

15 Exhibit 121 has Bates stamp Kik 138405. I
16 don't know precisely what it is, but it has a timestamp
17 of September 6th, 2017, at 7:32 p.m.

18 Exhibit 122 is Kik 138412. It has a
19 timestamp -- same date -- 9/6/17 with a time of 7:39
20 p.m.

21 Do you recognize these documents?

22 A I do.

23 Q What are they?

24 A These are text messages to my dad.

25 Q Ah, and this is not on a particular messaging

Page 439

1 app, this is literally a phone text?

2 A A phone text message.

3 Q Okay. And was your dad considering buying
4 Kin?

5 A He had reached out to me just before the token
6 sale asking about potentially purchasing Kin.

7 Q Did he buy Kin?

8 A He did not.

9 Q Okay.

10 And obviously this is your -- everything you
11 said to him was accurate, or at least what you believed?

12 A Yes.

13 Q Okay.

14 He writes: Hm, it's -- or you wrote: Hm,
15 it's tough because it could do very well and do two to
16 three times pretty quickly.

17 Is that right?

18 A Yes.

19 Q Or it could lose a lot. There is a lot of
20 unknown right now, and regulators are also looking at
21 these things closely.

22 Do you know the context of which you're
23 writing this? Again, is this just him considering a
24 purchase?

25 A So my dad had -- I had had previous

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1 conversations with my dad about cryptocurrencies in
2 general. He was starting to look at the cryptocurrency
3 market and was seeing a lot of volatility in
4 cryptocurrencies.

5 And prior to the token sale, he reached out
6 and asked about Kin and what he -- how it may look
7 relative to some of the volatility that you were seeing
8 in the cryptocurrency market in general.

9 Q I see. So you're comparing, for him, Kin's
10 potential volatility with other crypto volatility out
11 there?

12 A Yeah. This text message was very much look --
13 talking about it in the context of cryptocurrencies,
14 given the conversations I'd had with my dad previously.

15 Q Got it.

16 You write: When people ask me about it, I
17 tell them there is serious potential here, but you
18 should only put in what you would be comfortable losing
19 -- all of it.

20 Is that what you typically told people who
21 were considering a purchase of Kin?

22 A Not of Kin specifically, but of
23 cryptocurrencies.

24 I don't have these conversations with a lot of
25 people.

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1 Q Sure.

2 A But the inherent volatility of
3 cryptocurrencies. And this was, yeah, a personal
4 conversation I had had with my dad, and I had mentioned
5 that when someone had asked me about cryptocurrencies
6 and the volatility around them and potential
7 appreciation or loss on cryptocurrencies, I had said
8 that in the past.

9 Q Okay.

10 BY MR. MITCHELL:

11 Q Was your -- when you say your dad was looking
12 at cryptocurrencies, what was he looking -- what was he
13 considering?

14 A I know that he was looking at others like
15 Bitcoin, Ether, some of the other popular
16 cryptocurrencies.

17 He had been looking at them for a little
18 while, and we had had some discussions about some of the
19 things that he was reading. For example, at the time,
20 there's a lot in the media about people making a lot of
21 money on Bitcoin and Ether, and he was looking at
22 cryptocurrencies generally.

23 Q Sorry, and is your dad in the crypto business
24 at all?

25 A No.

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1 **Q** What -- but your dad had read articles
2 about --
3 A Yes.
4 **Q** -- things like that? And so there -- at that
5 time, were other people talking to you about sort of the
6 articles about people making money in Bitcoin and Ether?
7 A They -- I had a couple other friends that had
8 -- were also looking at cryptocurrencies -- the
9 cryptocurrency market, more so on the premise of the
10 volatility that -- mentioned in some of the articles in
11 a speculative nature.
12 **Q** In that they were looking for positive
13 volatility?
14 A Yes.
15 **Q** And was that -- okay.
16 BY MR. MENDEL:
17 **Q** Just one follow-up. What's your understanding
18 of what your dad meant by "two to three times"?
19 A That was my message to my dad, actually.
20 **Q** And what did you mean by "two to three times"?
21 A It could increase in value two to three times.
22 **Q** Thank you.
23 BY MR. LEASURE:
24 **Q** Thanks. We'll take those back.
25 Did Kik disclose its own financial statements

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1 ask for those metrics?
2 A I believe in some instances there was
3 questions about what the monthly or daily active -- I
4 think that was the reason there were some disclosures
5 around Kik's monthly active users being in the range of
6 15 million.
7 **Q** Okay. And those questions were on social
8 media or elsewhere?
9 A I believe so.
10 **Q** And so the -- tell me -- you may have already
11 answered this, I and apologize, how did Kik respond to
12 those questions?
13 A I cannot recall if it was in an interview or a
14 blog post. I do remember there was some discussion
15 internally about talking about monthly active users in
16 Kik and what it was at the time. I do not recall how it
17 was communicated, but I believe it was communicated
18 externally.
19 **Q** Okay. In response to some potential
20 purchasers' questions?
21 A I do not recall if it was in direct response
22 to a question or if it was a preemptive --
23 **Q** Okay.
24 A -- decision.
25 MR. MITCHELL: There were also mention of the

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1 to buyers in the public sale?
2 A No.
3 **Q** Did any of them ask for them?
4 A Not that I'm aware of.
5 **Q** Okay. They didn't ask you?
6 A No.
7 **Q** How about same questions for the -- any recent
8 user metrics from the Kik messaging application? Day --
9 like, daily or monthly average users, did Kik disclose
10 those?
11 A Kik has disclosed some user metrics in the
12 past in a general sense. I believe, at the time of the
13 white paper release or around the time of the sale,
14 there was some comments about Kik's monthly active users
15 being around 15 million. It was hovering around that
16 time -- that at the time.
17 **Q** Was that information generally available in
18 the market in September of 2017?
19 A Generally, user metrics for a lot of these
20 applications can be accessed by a few third parties, App
21 Annie being one of them and some others, that are able
22 to extract that data from App Store or, like, iOS and
23 Google Data, but there was not a monthly report that Kik
24 produced of its monthly or daily active users publicly.
25 **Q** Did any potential purchasers of the Kin token

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1 monthly average users and statistics like that in the
2 white paper; right?
3 THE WITNESS: I believe so.
4 BY MR. LEASURE:
5 **Q** In terms of the status of wallets at the time
6 of the public sale in 2017, where did people who bought
7 in the public sale hold their Kin?
8 A People that -- so people that purchased Kin in
9 the public sale, where did they hold it?
10 **Q** Yeah.
11 A So it was in -- it would be in an Ethereum
12 wallet, given that it was an ERC-20 token. Some people
13 access their Ethereum wallet through a hardware wallet.
14 Some people -- which is very common, actually.
15 It's now branded mycrypto.com, but
16 myetherwallet.com was a prominent user interface for
17 accessing an Ethereum wallet. There's also others, like
18 MetaMask and Jaxx.
19 **Q** Was there any on -- let me define that better.
20 Was there any -- was there a wallet feature
21 where you could access your Kin wallet on the Kik
22 messaging app?
23 A The -- there was a wallet -- there is a wallet
24 on the Kik messaging app that you can link your Ethereum
25 wallet to and it will display your balance, similar to

Page 446

1 a -- there are a lot of, I think, user interfaces like
2 that that we've seen.

3 The Kik messaging app wallet did not have the
4 ability to send instructions to the blockchain. So you
5 could not commit a transaction through Kik, but you were
6 able to -- or see your wallet and see your balance.

7 **Q And that capability to display your balance on
8 the Kik messaging app, that was in place at the time of
9 the public sale?**

10 A Yes.

11 **Q And is it still the case, in August of 2018,
12 that you can still see your Kin balance on the Kik
13 messaging app, but you can't send instructions?**

14 A To the best of my knowledge, it is available
15 on Android, but not iOS.

16 **Q On Android now, the Kik messaging app user can
17 send instructions --**

18 A Not send instructions. Can view their
19 balance.

20 **Q Oh. So on Apple iOS, you still can't see --**

21 A You were able to at the time. It is -- from
22 my understanding, in one of the previous app store
23 reviews, there were a number of things that Apple
24 requested were removed, not just the viewing of the Kin
25 wallet on Kik, but there were some other things.

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1 I think Kik submits every two weeks to Apple,
2 and there's always feedback of you can add this, we'd
3 like you to take this out. It can be re-added in the
4 future.

5 **Q Got it. So subsequent to the public token
6 sale, Apple instructed Kik to remove some features from
7 the Kik messaging app?**

8 A Yes.

9 **Q And wallet -- the ability to view your Kin
10 balance in the messaging app was one of those that was
11 removed?**

12 A It was after their most recent update of the
13 Apple Terms of Service, which I believe was late June
14 2018.

15 **Q Right.**

16 A There were some updates around unlockable
17 content, and a lot of apps -- not just Kik -- had to
18 remove some features that had unlockable digital
19 content.

20 There has been some dialogue with Apple since
21 removing that feature to look at what the next
22 implementation would look like. There's a pretty active
23 dialogue with Apple. I'm not driving that discussion
24 though.

25 **Q Okay.**

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1 Obviously we've already touched on the MVP at
2 the time of the public sale. That was the ability to
3 unlock certain sticker packs and access status rankings
4 on the Kik messaging app; correct?

5 A Yes.

6 **Q When was that capability to unlock stickers
7 and status actually developed? Do you know?**

8 A I do not recall when the actual engineering
9 work went into that. I know it was live at the time of
10 the token sale. I believe the actual implementation was
11 likely in the weeks and months leading up to the token
12 sale.

13 **Q Shortly before the token sale?**

14 A I believe so.

15 **Q Okay.**

16 Couple of basic factual questions about the
17 private and public sale.

18 A Yep.

19 **Q What happened to the dollars that were raised
20 from the private sale?**

21 A The dollars that were raised from the private
22 sale went into Kik's bank account. I cannot recall if
23 it went to the Silvergate Bank account or if it was in
24 the TD account. That would be -- the accounting team
25 would know, but it was Kik's bank account.

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1 **Q Were the dollars raised in the private sale
2 segregated at those bank accounts by each unique
3 purchaser?**

4 A I do not believe so.

5 **Q They were put together in one pile?**

6 A I believe so, but I do not have access to the
7 banking information --

8 **Q Okay.**

9 A -- so I'm not sure.

10 **Q That's fine. And this was Kik's bank account?**

11 A Yes.

12 **Q So did Kik control the dollars raised in the
13 private sale?**

14 A Yes.

15 **Q Okay. And obviously then, as part of that
16 control, did Kik control how, if at all, those dollars
17 would be spent or used?**

18 A Yes.

19 **Q I think this follows, but let's say a private
20 sale purchaser, Pantera or whomever, after buying the
21 SAFT wanted to direct how the money that it paid in
22 particular was going to be used -- like, the 10 million
23 or so I paid, I want it to be used on this versus
24 that -- could they do so?**

25 A No.

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1 Q Similar questions for the public sale. What
2 happened, to your knowledge, to the -- we covered this
3 yesterday, but generally what happened to the Ethereum
4 raised in the public sale?

5 A The Ethereum raised in the public sale went to
6 an Ethereum wallet owned by Kik, was subsequently
7 exchanged for U.S. dollars over time.

8 Q Okay. And those U.S. dollars were placed in a
9 Kik bank account?

10 A Correct.

11 Q Were the dollars segregated in any way by
12 individual purchaser?

13 A No.

14 Q So in other words, there weren't 10,000
15 accounts, one for each of the 10,000 Kin purchasers?

16 A No.

17 Q Okay. And who controlled the proceeds after
18 the public sale?

19 A Kik.

20 Q Okay. So Kik would direct -- to the extent
21 they were spent or used for things, Kik would direct how
22 to do that?

23 A Correct.

24 Q And again, let's say a public sale purchaser,
25 one of the Wang brothers, for example, said, I want my

Page 452

1 A No.

2 Q Did any of them have special privileges or
3 access that they granted?

4 A No.

5 Q Okay. So you would agree that each Kin is
6 worth the same amount, whatever that amount is, as any
7 other Kin?

8 A Yes.

9 Q Okay.

10 Did any Kin holder -- scratch that.

11 Some of the -- so of the 10 trillion Kin
12 created, some were sold to people in the world; right?
13 Some were held by Kik the company itself; correct?

14 A Yes.

15 Q And some were given to the Kin Ecosystem
16 Foundation; right?

17 A Correct.

18 Q Okay. Is the Kin, the tokens themselves, held
19 by any of those groups different from any of the others?

20 A No.

21 Q So the Kin held by the Foundation is equal to
22 the Kin held by Kik is equal to the Kin held by people
23 in the world?

24 A Yes.

25 Q Okay.

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1 million dollars worth of Ether to be spent on this
2 project versus that project, could they so direct those
3 dollars to be spent?

4 A No.

5 Q You would you say then, from what we just
6 said, that Kik pooled the proceeds from the private
7 sale?

8 A Pooled?

9 Q Yes.

10 A Pooled it with all the other private sale --

11 Q Yeah.

12 A -- purchases?

13 Q Yes.

14 A Yes.

15 Q Would you say -- and -- maybe let me ask it in
16 a better way then. For the public sale, would you say
17 that Kik pooled together the Ether raised from
18 individual purchasers in the public sale?

19 A Yes.

20 Q Of the 10 -- there are 10 trillion Kin tokens
21 created?

22 A Correct.

23 Q Always squarely on that. Thank you.

24 Did any of the Kin created have superior
25 rights to any other Kin?

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1 We talked about this yesterday. In terms of
2 what Kik did with the proceeds of the private and public
3 sale, it, in part, has used those for Kik's general
4 operations; is that right?

5 A Yes.

6 Q And in part, it has used those proceeds to
7 develop the Kin ecosystem; is that fair?

8 A It has been allocating all its -- all of the
9 funds to operations and Kik, and some of the operations
10 at Kik have been contributing to elements of the Kin
11 ecosystem.

12 Q I think that's a better way that you've put
13 it.

14 So some people at Kik are working on helping
15 to develop the Kin ecosystem?

16 A People at -- some people at Kik are working
17 on, for example, baseline infrastructure and tools that
18 would be used by anyone building on Kin, and some people
19 at Kik are building things specifically for Kik, like
20 server infrastructure, but I would say that has an
21 implication on the -- given that Kik is a participant in
22 the Kin ecosystem, I would say that this is still
23 contributing to the growth of the Kin ecosystem.

24 BY MR. MITCHELL:

25 Q The servers, you're talking about servers that

1 **Kin -- the Kik app runs on?**

2 A I'm saying that Kik, as a participant in the
3 ecosystem, anything that Kik is doing contributes to the
4 growth of the Kin ecosystem, is what I was saying.

5 **Q But you were talking before about servers.**
6 **Those are the servers that the -- that Kik uses to run**
7 **the Kik app?**

8 A Yes.

9 BY MR. LEASURE:

10 **Q Is Kik using the proceeds it raised in the Kin**
11 **token event, in whole or in part, in an effort to**
12 **attract people to use Kin?**

13 A The -- all of the development at Kik, building
14 out an application that is using Kin and has users, I
15 believe is all attracting people to come and build in
16 this ecosystem, given it is a participant.

17 **Q Kik wants to attract people to use Kin; right?**

18 A Building products in Kik that have Kin
19 integrated into it shows -- as you mentioned yesterday,
20 I used the term lighthouse -- is a lighthouse for other
21 developers to come and build in the Kin ecosystem.

22 **Q Okay. And would you agree that the proceeds**
23 **that Kik raised then, by paying salaries of people at**
24 **Kik and taking on other projects, in part is being --**
25 **you know, are being used to help attract people to the**

1 **Kin network?**

2 A Yes.

3 **Q Okay.**

4 **What determines the value of a Kin token**
5 **today?**

6 A Kin -- the value of anything is determined on
7 supply and demand. So there is a certain amount of
8 supply that is there in the market, and there is a
9 demand from people who want to purchase that Kin.

10 Some of them are purchasing that to use it,
11 and -- today. And I cannot speak to the intention of
12 everyone, why they demand Kin, but it is all a function
13 of supply and demand.

14 **Q Sure. It's determined by market forces;**
15 **right?**

16 A Yes.

17 **Q Now, let's say -- let's walk through whether**
18 **changes to the Kin market price, determined by the laws**
19 **of supply and demand, it would have a disparate impact**
20 **on the various holders of Kin or not.**

21 **So we already talked about -- would you agree**
22 **that some Kin today is held by Kik?**

23 A Yep.

24 **Q Some by the Foundation?**

25 A Yes.

1 **Q And some by people in the world?**

2 A Yes.

3 **Q Okay. Let's say a demand event happens and**
4 **the desire of more people to hold Kin leads to a market**
5 **price increase of 20 percent.**

6 A Yes.

7 **Q Good news. Would you expect that the value of**
8 **Kin held by the various people who hold Kin, including**
9 **the foundation and Kik, goes up or down by the same**
10 **amount?**

11 A Yes.

12 **Q Okay. There's no special reason why the value**
13 **held by a person in the world, another person in the**
14 **world, or Kik changes?**

15 A No.

16 **Q Okay. And the same with a decrease: If the**
17 **value went down by 30 percent, the same would apply?**

18 A Correct.

19 **Q Thank you. Okay.**

20 **Switching topics. Before -- after -- we see**
21 **some communications between Kik and various banks about**
22 **the Kin token offering. Does any of that ring a bell**
23 **for you?**

24 A I know the finance team was having discussions
25 with a few different banks prior to the Kin token sale.

1 **Q Prior to the token sale?**

2 A Yes.

3 **Q And how about afterwards?**

4 A I believe they continued to have some
5 discussions afterwards.

6 **Q Were you involved?**

7 A I was in a few conversations, but I am not
8 super involved in that process. It's relatively outside
9 of my domain.

10 **Q Fair. What were the purpose of those**
11 **discussions with the banks?**

12 A The purpose of the discussion with the banks
13 was about who would be the bank for Kik.

14 **Q Oh, so it's looking for a -- banking services**
15 **for Kik the corporation?**

16 A Yes.

17 **Q Was BMO one of the banks?**

18 A Yes.

19 **Q I'm sorry, that's Bank of Montreal?**

20 A Bank of Montreal. Canadian.

21 **Q Yes.**

22 **Let me show you a document I think might be**
23 **relevant. I'm marking this as Exhibit 123.**

24 **(SEC Exhibit No. 123 was marked for**
25 **identification.)**

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1 **Exhibit 123 is a multipage printout of an**
 2 **e-mail chain ending August 29th, 2017, with the subject**
 3 **Kin background. It has a Bates stamp Kik 87294.**

4 A Okay.

5 **Q What is this document?**

6 A This is communications between myself and a
 7 person that works at BMO.

8 **Q That person is Michael with a last name**
 9 **spelled S-F-A-L-C-I-N?**

10 A Yes.

11 **Q How did you connect with Michael?**

12 A Michael was a contact of Derek Lebert, who is
 13 the director of finance and was driving a lot of the
 14 discussions with the banks.

15 On occasion, Derek would ask me to join some
 16 of these meetings to be able to answer some questions
 17 about Kin, the project, given that I had worked across
 18 some of the different teams.

19 Derek was driving this relationship with
 20 Michael, but asked me to connect with him and some of
 21 his colleagues on a few questions that they had.

22 **Q And it's not clear from the face of this**
 23 **document, to me at least, what's the context of this**
 24 **outreach to BMO?**

25 A So BMO originally reached out to Kik to try

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1 do that, if BMO would do that, or if another bank would
 2 ultimately do that.

3 BMO, from my understanding, was in contact and
 4 looking at some other companies that were generating
 5 revenue through a token sale and doing the banking for
 6 them, because they saw an opportunity where some banks
 7 were not willing to do that.

8 **Q Do you know why some banks were not willing to**
 9 **do that?**

10 A To the best of my knowledge, there was some
 11 concern from the Compliance teams at the banks
 12 specifically about being able to fit within their
 13 systems for tracking the flow of funds and the source of
 14 funds.

15 **Q Got it. And so what we're then seeing,**
 16 **correct me if I'm wrong, in Exhibit 123 is you helping**
 17 **Michael at BMO prepare something for internal use at**
 18 **BMO?**

19 A So Michael was really trying to win Kik's
 20 business and was trying to push things through at BMO to
 21 do Kik's banking, and I had had a couple of
 22 conversations with Michael about that.

23 He had put together and -- he had put together
 24 a note that he wanted to surface internally. I helped
 25 add some notes that he could then use in his dialogue

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1 and win its banking relationship. Kik has been banking
 2 with TD Bank since, I think, the beginning, and very
 3 frequently, different banks -- mostly Canadian banks --
 4 would reach out and try and win business to move all of
 5 the assets there.

6 And to the best of my knowledge, Michael had
 7 reached out to Derek, because they knew each other, and
 8 wanted to have a discussion about BMO potentially doing
 9 some or all of Kik's banking.

10 **Q Did it ultimately go over to BMO?**

11 A It did not ultimately go over to BMO.

12 **Q Okay. It's still at TD Bank?**

13 A It is still at TD Bank.

14 **Q Why is -- would you agree there's -- this**
 15 **e-mail reflects some discussion about Kin and the**
 16 **product Kin?**

17 A Yes.

18 **Q Why is that being discussed with this bank?**

19 A This was being discussed with BMO because at
 20 the time -- to the best of my knowledge, because I was
 21 not in all of the conversations -- Derek and Peter had
 22 had some discussions with our existing bank and some
 23 other banks who had expressed some concerns about
 24 holding funds that came in through a token sale.

25 So there was some evaluation as to if TD would

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1 when he was working internally.

2 **Q Makes sense. And those are the notes that are**
 3 **reflected on page 1 of this exhibit?**

4 A Yes.

5 **Q Can I point you to the section towards the**
 6 **bottom of what you wrote called C-A -- C-S-A-S-S-E-C?**

7 A Yes.

8 **Q Who is C-S-A?**

9 A Canadian Securities Association? I think.

10 **Q Let me read what you wrote under that.**

11 The U.S. and Canada are both using a four-part
 12 test, parentheses, Howey Test, end parentheses, to
 13 determine whether or not the company sales of Kin tokens
 14 would constitute the sale of a security.

15 Again, I have not confirmed with company --
 16 directly be the company's counsel, but their claim is
 17 that counsel's view relating to the four-part test is as
 18 follows.

19 And then four numbered -- four numbers follow
 20 that?

21 A Yes.

22 **Q Do you see that? First, I guess just to**
 23 **clarify, this is you helping to edit or draft some notes**
 24 **that Michael could send on to his colleagues?**

25 A Yes. If I recall -- and I am going off memory

1 here, because it was about a year ago --

2 **Q Sure.**

3 A -- I believe what I may have done here is
4 taken his initial draft and added some notes just in
5 line.

6 For example, the line "again, I have not
7 confirmed directly with the company's counsel," I don't
8 believe I wrote that. I think what I may have done is
9 in this draft taken what he had sent me and then added
10 some in-line edits.

11 **Q Got it. And so that -- I wanted to confirm**
12 **the "I" and the "their" in your statement. The "I" --**
13 **"I have not confirmed with the company's counsel" --**
14 **that's Michael at BMO?**

15 A Yes, I believe so.

16 **Q And the "their" is Kik?**

17 A Yes.

18 **Q Whoever that is. So he write -- you write:**
19 **Their claim is that counsel's view relating to the**
20 **four-part test is as follows.**

21 **The "their" is Kik's?**

22 A Yes.

23 **Q Okay.**

24 **Did -- where did -- well, let me back up.**

25 **Did Kik tell BMO what Kik's counsel's view on**

1 **see in the section paragraph it says: What Kik is doing**
2 **with Kin.**

3 A Mm-hm.

4 **Q There's some text?**

5 A Yes.

6 **Q And then if you compare that to the -- your**
7 **August 29th e-mail?**

8 A Yes.

9 **Q Is your August 29th e-mail a -- you copying**
10 **sort of what he had originally written and making notes**
11 **on it or edits of it?**

12 A Yes.

13 So Michael sent an e-mail, the one you
14 mentioned dated August 27th at 9:59 p.m. These are his
15 words. He sent that to me to see if I would make any
16 edits.

17 So whatever the delta is between my note on
18 the first page and his that was sent on August 27th,
19 would have been edits that I made.

20 **Q Okay. So just take -- again, look at this --**
21 **his section for what Kik is doing with Kin and your**
22 **section.**

23 **Sorry, take a look at it generally and then**
24 **tell me when you've had a chance to see. I'm just going**
25 **to ask about the different -- like, what's different.**

1 **the Howey Test is?**

2 A I do not recall any disclosure of what
3 specifically Kik's counsel had said.

4 **Q Is this disclosure of what Kik's counsel had**
5 **said?**

6 MR. LENCH: Whoa, hang on.

7 MR. GIBBS: You're asking him whether this
8 reflects what Kik's lawyers said to Kik?

9 MR. LEASURE: No. That's -- I take your
10 point, and I'll withdraw that question.

11 MR. LENCH: Okay.

12 BY MR. MITCHELL:

13 **Q Can you look at the second and third pages?**
14 **Do you see at the point about two-thirds of the way down**
15 **-- one-third of the way down the second page there's an**
16 **August 27th e-mail from Mr. -- do you know how to**
17 **pronounce his last name?**

18 A "S-fal-kin."

19 **Q "S-fal-kin." Do you see there's an e-mail**
20 **from him?**

21 A Yes.

22 **Q And then there's text?**

23 A Yes.

24 **Q Okay. Is the text on the first page -- sorry,**
25 **take as much time as you want. If you look at -- I can**

1 A Yeah. Give me a second, because I'll have to
2 spot the differences.

3 **Q And my first question's just going to be**
4 **they're different; right? I mean, that's literally --**
5 **I'm not going to go through line-by-line.**

6 A Yes, they are different.

7 **Q Okay. And so he didn't -- his part of what**
8 **Kik is doing with Kin wasn't a hundred percent right?**

9 A Correct.

10 **Q Okay. And so you fixed it in your version?**

11 A Yes.

12 **Q Okay. Did you change anything in his section**
13 **where he writes, in the original e-mail, that: I have**
14 **not confirmed directly with the company's counsel, but**
15 **their claim is that counsel's view related to the**
16 **four-part test is as follows. And then it has four**
17 **sections.**

18 **Did you correct any of that?**

19 A I do not see any differences between the two,
20 so I do not believe I corrected that.

21 **Q Do you think they had anything wrong?**

22 MR. GIBBS: I'm sorry, you're again asking him
23 whether that accurately reflects the advice that Kik got
24 from its lawyers?

25 MR. MITCHELL: Well, he told the guy -- he

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1 told the lawyer at BMO right here what -- he copied it
2 and put it in his e-mail to the guy at BMO.

3 MR. GIBBS: And you think that's the same as
4 him saying, here's what our lawyer said? He cut and
5 pasted an e-mail and said, I made some tweaks to this
6 language.

7 MR. MITCHELL: Okay, yeah. Yes, I do.

8 MR. GIBBS: So disagree.

9 THE WITNESS: I only made edits to the what
10 Kik is doing with Kin. I do not recall if I even looked
11 at the sections below.

12 Obviously, I copied and pasted his whole
13 e-mail, but I would not say that what he is saying here
14 is necessarily what Kik's counsel said.

15 BY MR. MITCHELL:

16 **Q Okay. Did you have a conversation with -- I**
17 **apologize, can you pronounce his name again?**

18 A Michael?

19 **Q Yeah, his --**

20 A Sfalcin.

21 **Q Did you have a conversation with Mr. Sfalcin**
22 **about what Kik's counsel said?**

23 A I do not recall a conversation specifically
24 about Kik's counsel. I believe, in one of the meetings
25 with Derek, myself, Peter, there was a general

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1 A I do not. It was likely a result of one of
2 the conversations that I may have been a part of when we
3 had the meeting in talking about Kin having a usable
4 function within Kik at the time of the token sale.

5 BY MR. MITCHELL:

6 **Q I don't think we actually got to the end of**
7 **what Patrick and I were talking about. I think we need**
8 **to actually do the question of in your August 29th**
9 **e-mail, below in the text, it says, quote: They're**
10 **claim is that counsel's view relating to the four-part**
11 **test is as follows. And it has some text.**

12 **My question to you earlier was was that**
13 **correct?**

14 A I do not know --

15 **Q Sorry, sorry, sorry. Wait one sec. One sec.**

16 MR. GIBBS: If you're asking him is that an
17 accurate statement of what Kik's lawyers told Kik, then
18 we have an objection on privilege grounds.

19 MR. MITCHELL: Yes.

20 MR. GIBBS: Okay.

21 MR. MITCHELL: So I need you to instruct him.

22 MR. GIBBS: Okay. Okay. That's fine.

23 I would instruct him not to answer that
24 question. If that's what you're intending to ask him --

25 MR. MITCHELL: Yeah. I'm asking --

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1 discussion about regulators, but I do not believe there
2 are any disclosures in that meeting saying that this is
3 what Kik's counsel said.

4 **Q Okay. Did you ever tell him that the text**
5 **that he'd sent you was not what Kik's counsel said?**

6 A I do not recall if I specifically said that.
7 Obviously, in the e-mail that I copied and pasted to
8 him, I did not make any edits to it. I do not recall
9 saying anything to him about that, and I did not call it
10 out in the e-mail.

11 **Q Okay. And did Mr. Sfalcin have conversations**
12 **with Kik that didn't involve you?**

13 A Yes.

14 **Q Who did he have those with?**

15 A Derek Lebert and Peter Heinke.

16 BY MR. LEASURE:

17 **Q The last line -- I know we're looking at**
18 **multiple e-mails. The last line of Michael's e-mail on**
19 **the 3rd, 296?**

20 A Yes.

21 **Q He writes: Given that the token has utility,**
22 **the company's counsel's view is that it is a digital**
23 **asset and not a security.**

24 **Sitting here today, do you know where Michael**
25 **got that information from?**

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1 MR. GIBBS: -- then, yes, we're instructing
2 him.

3 MR. MITCHELL: In the e-mail he sent -- I'm
4 asking him a question about the e-mail he sent. I'm
5 asking him if that was correct, and I understand you're
6 giving the instruction. Just doing it on the record.

7 MR. GIBBS: Okay.

8 BY MR. LEASURE:

9 **Q Let's put aside this particular document.**
10 **I'll take it back from you.**

11 **Did you ever tell people who didn't work for**
12 **Kik about the legal advice that Kik received regarding**
13 **whether Kik would or would not be considered -- Kin**
14 **would or would not be considered securities?**

15 A Not that I'm aware of.

16 **Q Did you ever tell any banks about that in**
17 **connection with talking to banks?**

18 A Not that I'm aware of.

19 **Q Did you ever tell any of the private sale**
20 **investors?**

21 A Not that I'm aware of.

22 **Q Did they ever ask about that?**

23 A I do not recall a specific instance of asking
24 for our lawyers' opinion.

25 **Q Okay.**

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1 **Did you ever hear anyone else at Kik conveying**
2 **counsel advice about whether Kin would be considered**
3 **securities to anyone outside of Kik?**
4 A Not that I'm aware of.
5 BY MR. MITCHELL:
6 **Q Sorry, the -- I would just like to -- Mr. --**
7 **of the third person -- you were saying you and Peter and**
8 **the third person who talked to BMO, what was his name**
9 **again?**
10 A Derek Lebert.
11 **Q Where does he work now?**
12 A He is self-employed. He owns a microbrewery.
13 **Q That's good. What's it called?**
14 A Block 3.
15 BY MR. LEASURE:
16 **Q I'd like to show you a document I'm marking**
17 **Exhibit 124.**
18 **(SEC Exhibit No. 124 was marked for**
19 **identification.)**
20 **Exhibit 124 is a one-page e-mail with a**
21 **multipage attachment. The e-mail is dated November**
22 **30th, 2017, and has the Bates stamp Kik 110938.**
23 **Take your time. I'm going to ask you specific**
24 **questions about the attachment. I understand it's a**
25 **little long.**

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1 A Okay.
2 **Q What is this document?**
3 A This is an e-mail with an attachment from Todd
4 Coupland from CIBC, who covers a lot of consumer tech
5 companies in Toronto and Waterloo region. He has
6 written about Kik in the past and wanted to write a blog
7 post from his account at CIBC about Kik and Kin.
8 **Q Why did he want to write a blog post? Do you**
9 **know?**
10 A He writes these very frequently. I get an
11 e-mail from a distribution list probably every couple
12 days.
13 BY MR. MITCHELL:
14 **Q What does he write about?**
15 A He writes about consumer tech companies in
16 Toronto and Waterloo.
17 **Q And who does he write for?**
18 A I do not know who all is on his e-mail
19 distribution list, but I am on it and I don't even know
20 how I got on it. But largely people that have a
21 relationship with CIBC, I believe.
22 BY MR. LEASURE:
23 **Q Mr. Coupland, it seems like he has a title of**
24 **Managing Director, Institutional Equity Research. Do**
25 **you see that?**

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1 A Yes.
2 **Q Is he, like, a stock analyst or something**
3 **else?**
4 A I believe so. He does a lot of analysis on
5 public and private companies, so it's not -- I wouldn't
6 call it just a stock -- or an analyst of publicly-traded
7 stocks.
8 He had a close relationship with the company
9 over a number of years even before I got there. I've
10 met him a few times.
11 **Q So he's covered Kik the company before?**
12 A Yes.
13 **Q And this was him also covering Kin; is that**
14 **right?**
15 A Yes.
16 **Q Okay. Do you know why he wanted to write**
17 **something about Kin?**
18 A It was something that was happening in the
19 region that he covers in consumer tech and was related
20 to Kik, which is a company that he covers, and I -- he's
21 a very prolific writer. Like I said, writes probably
22 every couple days, and this was a blog post he wanted to
23 put out.
24 **Q And you met with him in advance of this?**
25 A I do not recall meeting with him in person in

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1 advance of this. I have met him subsequently. I
2 actually did a fireside chat with him a few months ago.
3 **Q Let me point you to the first page of his**
4 **write-up. It has 940 at the end of the Bates stamp.**
5 A Yep.
6 **Q You got it.**
7 **The third paragraph there -- and I'm just**
8 **trying to see if this refreshes any recollection or**
9 **anything like that. The third paragraph there is: With**
10 **this backdrop, our meeting with Canada's leading**
11 **messaging platform company, Kik, and maker of**
12 **cryptocurrency Kin, was well-timed.**
13 **This week we met with Kik's Director of**
14 **Corporate Development, Tanner Philp. In our blog, we**
15 **discuss Kik's plans for Kin towards creating a general**
16 **purpose cryptocurrency.**
17 **Did you meet with him?**
18 A I believe I had a phone call with him prior to
19 this.
20 **Q Got it. And what can you tell me about that**
21 **phone call?**
22 A I do not recall the specific conversation, but
23 it was likely an overview of the Kin project.
24 **Q And he's -- he had that call, I take it, to**
25 **then prepare this blog post?**

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1 A Yes.

2 **Q Okay.**

3 A I don't remember if he told me he was writing

4 a blog post when we did the call.

5 **Q Oh, so this might have surprised you that he**

6 **came out with this?**

7 A Yeah, I can't recall. I do not remember if

8 the call was an interview for the blog post or he was

9 calling to learn more about Kin and subsequently decided

10 to write a blog post.

11 **Q Got it. Did you read this blog post when it**

12 **went up?**

13 A I believe I read this before it went out. I

14 can't remember if I gave it a thorough read or edit.

15 **Q Okay. And afterwards, was this something that**

16 **people read at -- like, read and circulated at Kik or**

17 **not?**

18 A I don't recall this being circulated --

19 **Q Okay.**

20 A -- broadly at the company.

21 **Q This wasn't a big deal for people at Kik?**

22 A No.

23 **Q Just curious, why is that?**

24 A I don't know what his readership is on the

25 blog that he puts out. I know it gets sent in an e-mail

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1 distribution list, and I don't think a lot of people at

2 Kik are on his e-mail distribution list.

3 **Q You were. Perhaps unfortunately, you were on**

4 **his e-mail distribution list?**

5 A I like his -- it's not unfortunately.

6 **Q Okay.**

7 A I like his blog posts.

8 **Q Okay. Okay.**

9 **Let me point you to a few things he says in**

10 **here and just mostly I'm just going to ask you if this**

11 **is accurate or not. Okay?**

12 A Okay.

13 **Q The paragraph after the one we just read, the**

14 **third sentence in there, I'll start reading, and tell me**

15 **if you don't see where I am.**

16 **Kik recently raised a hundred -- about a**

17 **hundred million dollars in an initial coin offering of**

18 **their digital currency. If successful, they hope to**

19 **create and cultivate an ecosystem that is designed to**

20 **underpin real value for Kin measured by its uses of**

21 **exchange for good and services.**

22 **Other than a typo he might have in there, is**

23 **that an accurate summary of the Kin project, in your**

24 **view?**

25 A No.

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1 **Q Why?**

2 A There are a lot of hypotheticals in here, and

3 the way it reads -- for example: If successful, they

4 hope to create and cultivate -- making it seem as if all

5 of this rides on Kik, which I do not believe is true.

6 **Q Did you tell him that?**

7 A I do not recall if I gave him direct feedback.

8 I actually don't recall if I, like I said, read this

9 blog post in detail before it went out.

10 **Q Do you know where he got the impression that,**

11 **you know, Kik's efforts were a part of the success or**

12 **failure of this?**

13 A He likely derived some of this either from

14 material that he had read prior, the conversation with

15 me, or drawing on some linkages that he might have made

16 between conversations and other material.

17 **Q You didn't --**

18 A I did not explicitly say that.

19 **Q Okay. And after this, you didn't correct this**

20 **or reach out to him about this?**

21 A I don't recall.

22 **Q The sentence that follows that writes: We**

23 **admit that Kik has a lot of work to do to firm up the**

24 **underlying value of Kin, but their approach is a unique**

25 **and one we are quite interested in following.**

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1 **Do you agree with that? Let me ask that in a**

2 **better way.**

3 **Do you agree that Kik, at the time, had a lot**

4 **of work to do to firm up the underlying value of Kin?**

5 A No.

6 **Q For the same reasons as we just discussed?**

7 A Correct.

8 **Q And again, did you ever -- did you tell him**

9 **this?**

10 A I do not recall providing feedback on that.

11 **Q Do you know where he got that impression from?**

12 A I do not know where he got that impression

13 from.

14 **Q Did you ever -- subsequent to this being**

15 **published, did you ever correct him?**

16 A I do not recall correcting him, and again, I

17 don't know if I actually read all of this.

18 **Q Okay.**

19 **Let me point you to page 7 of this document**

20 **that ends in Bates stamp 945.**

21 A Yep.

22 **Q It's Kik and Kin Business Plan and Timelines.**

23 **Do you see that section?**

24 A Yes.

25 **Q It begins: Right now, Kik is working on**

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1 building partnerships in the community with like-minded
2 firms that wish to participate.

3 Is that accurate that Kik was working on that?

4 A It is accurate that Kik employees, similar to
5 our conversation previously, were identifying other
6 potential partners that would build in the Kin
7 ecosystem.

8 Q Okay. And that was the partnership group you
9 described?

10 A Yes.

11 Q Great.

12 Further down that same paragraph, he writes:
13 In our interview, Kik said they would first focus on
14 consumer-to-consumer firms that have a strong community
15 aspect.

16 Is that something you told him?

17 A I believe I likely said that in our chat.

18 Q No reason to doubt you said that?

19 A Yeah.

20 Q Okay. And that is something that Kik was
21 focusing on at the time?

22 A Yes.

23 Q Finding consumer-to-consumer firms as --

24 A The -- to the best of my knowledge, the
25 Partnerships team had identified that as a key

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1 A Yes.

2 Q Okay. And is that something you told him?

3 A I believe I likely mentioned that as the
4 Product team was iterating on the first product that was
5 launched at the time of the token sale, the next thing
6 on the agenda that I had heard from Product was that
7 they were going to have earn and spend, and I likely
8 conveyed that to Todd.

9 Q Right. And that all -- that did happen;
10 right?

11 A Yes.

12 Q Okay.

13 By -- it goes on: By Q2 of 2018, the company
14 plans to move ahead with partners to deliver and test
15 the initial applications.

16 Is that accurate?

17 A I do not recall where the Q2 timeline would
18 have come from.

19 Q Do you know what's referred to by "the company
20 plans to move ahead with partners to deliver and test
21 the initial applications"?

22 A No.

23 Q Do you know what the "initial applications"
24 are?

25 A No.

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1 evaluation criteria in how they prioritized the
2 potential applications that they were having
3 conversations with.

4 Q So you were conveying that information?

5 A Yes.

6 Q Got it.

7 The next paragraph begins: Kik plans an
8 aggressive ramp-up schedule.

9 Did you tell him that?

10 A I did not.

11 Q Do you know where he got that impression from?

12 A I -- he may have drawn that from the
13 subsequent sentence -- or the ideas around the
14 subsequent sentence that there was an initial product
15 launch, and I had talked about that there will be
16 iteration, and I likely talked about the short and long
17 product process that would iterate and grow the actual
18 consumer experience.

19 Q Okay. So -- and you pointed to the rest of
20 this, so I just want to be clear. The -- after that
21 sentence I just read you, he goes on: The company has
22 built a digital wallet on the platform with plans to
23 bring the, quote, earn and spend, end quote,
24 functionality roughly by December.

25 Was that accurate?

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1 Q Do you know where he got this information?

2 A I do not.

3 Q He then writes: The go-live moment when Kin
4 begins circulation on the platform will be further on.

5 Do you know what he's referring to there?

6 A No.

7 Q Is that accurate?

8 A No.

9 Q Why?

10 A Because Kin was live in Kik at the time of the
11 token sale.

12 Q So he got that wrong as well?

13 A Yes.

14 Q Kik envisions the fully-fledged Kin economy to
15 be thriving in about four or five years, he again
16 writes.

17 Is that accurate?

18 A No.

19 Q Where did he get that information from, to
20 your knowledge?

21 A I do not know.

22 Q You didn't tell him that?

23 A No.

24 Q Do you have any idea who -- if anyone from Kik
25 did tell him that?

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1 A I don't know if someone told him that or he
2 read that somewhere or drew his own conclusion.

3 **Q In your view -- well, I don't want to ask an
4 unfair question.**

5 **Is there a fully-fledged Kin economy right
6 now?**

7 A Yes.

8 **Q When did that -- when did that economy --
9 fully-fledged economy first exist?**

10 A At the time of the token sale.

11 **Q So just give you my -- an impression I have
12 just as I've gone through a few things here. It looks
13 like your view is that this analyst made some
14 significant factual errors in describing Kik's
15 relationship to Kin and the status of the product?**

16 A Yes.

17 **Q And there was no correction ever made to him?**

18 A I do not recall if I provided any direct
19 feedback on this.

20 BY MR. MITCHELL:

21 **Q Putting that document down, in the -- before
22 the -- sorry.**

23 **After the May announcement, did people from
24 Kik go to any CIBC events?**

25 A Likely, yes. I think we've attended them at

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1 regular frequency.

2 **Q Great. Sorry, did you go -- did you attend
3 any of them at -- sort of in the -- after the May
4 announcement?**

5 A I've been to multiple CIBC events. I'm trying
6 to remember if it was in between the token sale and May.
7 I can't recall.

8 **Q What kind of events does CI -- what kind of
9 events did you attend that CIBC holds?**

10 A I've been to a dinner there that they held for
11 people that work at some of the companies they cover.
12 They've put on a couple of small conferences in the
13 past.

14 Usually it was Peter inviting me to go along
15 with him. That's how I got introduced to Todd was Peter
16 and Todd had a good relationship and I would go with
17 Peter.

18 And there was a recent event at CIBC that I
19 did a fireside chat with Todd.

20 **Q Tell me about the fireside chat.**

21 A The fireside chat was in Toronto, and Todd
22 asked some general questions about Kin and Kik. And the
23 audience was relatively small, maybe 15 to 20 people in
24 total in attendance, and was the -- I think they branded
25 it, like, the technology and innovation conference.

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1 They do it yearly and have a lot of different
2 people from different domains speak. The one speaker
3 before me was from Aion, which is a blockchain project
4 out of Toronto, and there was another speaker that was
5 from SecureKey that does some work around identity and
6 some of that relates to cryptocurrency.

7 BY MR. MENDEL:

8 **Q Quick follow-up question.**

9 A Yes?

10 **Q In 2017, did you receive draft blogs or
11 analyst reports from analysts -- other analysts besides
12 CIBC?**

13 A Not that I'm aware of.

14 **Q Thank you.**

15 BY MR. LEASURE:

16 **Q Shifting topics -- I'll take that document
17 back -- we talked a bit -- thank you.**

18 **We talked a bit yesterday about exchanges for
19 crypto assets like Kin; correct?**

20 A Yes.

21 **Q And, correct me if I am wrong, in general for
22 a token project like Kin, it is helpful to have a token
23 tradeable on exchanges?**

24 A Yes.

25 **Q And that's to provide liquidity for**

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1 **participants?**

2 A For people to get in and out of the ecosystem.

3 **Q That is a better way of putting it. Thank
4 you.**

5 **Kik -- I'm sorry, Kik -- Kin has been listed
6 on some exchanges?**

7 A Yes.

8 **Q Are you personally satisfied that Kin, as of
9 now, is listed on enough exchanges for the project?**

10 A Me personally?

11 **Q Yeah.**

12 A I think there is enough access for people to
13 get in and out of the Kin ecosystem, yes.

14 **Q Do you hope that Kin will be listed on more
15 exchanges?**

16 A I hope that as many people that want to
17 participate in the Kin ecosystem as would like to are
18 able to do so, and if there are some exchanges that
19 would allow more people to do that, then yes.

20 **Q Are there large exchanges that you would like
21 to see Kin listed on?**

22 A The exchanges that Kin should be listed on is
23 where the most consumer demand is, so there have been
24 some that have been identified by the community that
25 I've seen on Reddit. Those would be ones that I think

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1 would make sense.

2 **Q Can you give me a few examples of those?**

3 A One that comes up often is Bittrex.

4 **Q Okay. Is Kin listed on Bittrex?**

5 A It is not.

6 **Q That's B-I-T-T-R-E-X?**

7 A Yes.

8 **Q Any other prominent exchange you can think of?**

9 A There are some exchanges that have some demand

10 from consumers. I know one that I've heard the -- a lot

11 in the community is Binance, which is another large

12 exchange.

13 Aside from that, there are some other U.S.,

14 like Kraken and Coinbase, who also has GDAX as a

15 subsidiary. Those would be others that I've heard some

16 demand from the community on.

17 **Q And so would you say there is demand from the**

18 **holders of Kin to get listed on more exchanges?**

19 A Yes.

20 **Q And why -- what's your understanding of why**

21 **that is?**

22 A My understanding of why that is is because

23 people find that some of those exchanges have better

24 user interfaces and are easier to use and would like to

25 get either in or out.

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1 **Q Just the user interface, or any other reason?**

2 A I believe the usability, so not just user

3 interface but the whole user experience, on those

4 exchanges is, from what I understand, cleaner.

5 **Q Is it right that Kin, to date, is only listed**

6 **on smaller and possibly less liquid exchanges?**

7 A The exchanges that Kin is listed on today I

8 believe are smaller in the volume that they do on the

9 day.

10 **Q And on such an exchange, is one of the**

11 **concerns that it's hard to buy or sell a large amount of**

12 **Kin efficiently?**

13 A Given that there's lower volume on those

14 exchanges, I would make that assumption.

15 **Q Sure. Lower volume -- is there any concern**

16 **about, you know, you can't place large orders on a small**

17 **exchange without concern about moving the market or**

18 **anything like that?**

19 A I don't personally have those concerns for

20 myself, so I can't speak for everyone, but those might

21 be some of the concerns from the community.

22 **Q Have you heard that on the community?**

23 A I have seen some things on Reddit, but I do

24 not spend as much time in the community as the Community

25 team.

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1 **Q Sure. Okay.**

2 **And I think we already talked about the Wang**

3 **brothers. Have individual holders of Kin contacted you**

4 **about their desire to have Kin listed on exchanges?**

5 A There have been a few that have reached out

6 about the desire to be listed on exchanges.

7 You mentioned the Wang brothers. I believe

8 they were one of them.

9 **Q And there have been others?**

10 A I believe so.

11 **Q Okay. Is it fair to say that there's been**

12 **some pressure on Kik from the community to get Kin**

13 **listed on more exchanges?**

14 A There's been some pressure, yes.

15 **Q Okay. So then has Kik made efforts to get Kin**

16 **listed on exchanges?**

17 A There has been some efforts from Kik

18 employees. The Kin Foundation has been driving a lot of

19 that as of late.

20 **Q Via whom?**

21 A The Kin Foundation contracted someone to

22 manage the relationships with exchanges.

23 **Q Who's that?**

24 A His name is Juan Llanos.

25 **Q Is he a Kik employee or --**

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1 A He is not. He is contracted by the

2 Foundation, to the best of my knowledge.

3 **Q Do you know why the Foundation is using an**

4 **independent contractor as opposed to a Kik employee?**

5 A It is significant operational overhead to have

6 someone managing more relationships than the Kik

7 employees are currently focused on, so it was an

8 opportunity to have someone manage those relationships.

9 **Q Oh, so there's just not enough capacity**

10 **amongst Kik employees right now to do that?**

11 A Correct.

12 **Q Got it. Okay.**

13 **What -- did Kik make efforts to get Kin listed**

14 **on exchanges prior to the public sale?**

15 A To the best of my knowledge, no.

16 **Q Okay.**

17 **I'm showing you a document that's previously**

18 **been --**

19 MR. MITCHELL: Sorry, could I ask a quick

20 follow-up?

21 Do you know how the Foundation is paying the

22 contractor?

23 THE WITNESS: I do not. I haven't seen the

24 employment contract myself.

25 BY MR. LEASURE:

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1 **Q I'm showing you a document that's previously**
2 **been marked Exhibit 65. Exhibit 65 is a multipage**
3 **printout of an e-mail chain ending May 1st, 2017, with**
4 **the subject Questions on Governance. It has the Bates**
5 **stamp CoinFund 11319.**
6 A Okay.
7 **Q Do you recognize this document?**
8 A I do.
9 **Q What is it?**
10 A It is an e-mail exchange between myself and
11 Jake Brukhman.
12 **Q Okay. And this is early -- relatively early**
13 **on in the Kin project; right?**
14 A Yes.
15 **Q So May of 2017. Do you see in the middle of**
16 **the first page -- where you are --**
17 A Yep.
18 **Q -- it looks like you write, correct me if I'm**
19 **wrong, to people at CoinFund saying: A few additional**
20 **things we were hoping to touch on?**
21 A Yes.
22 **Q Okay. So this is maybe things you want to**
23 **talk about on a potential call?**
24 A Yes.
25 **Q Okay. One of the things is "number of**

Page 491

1 **exchanges we are targeting for the ICO." Do you see**
2 **that?**
3 A Yes.
4 **Q Were you targeting exchanges for the ICO at**
5 **this time?**
6 A At this time, there was a discussion about
7 potentially talking to exchanges prior to the token
8 sale, and ultimately we decided not to do that.
9 **Q Why not?**
10 A That was a decision made after discussion
11 about how to, one, structure the sale such that it would
12 have broad participation so people could participate if
13 they wanted to, also with the understanding that
14 exchanges could list Kin if they wanted to, given it was
15 an ERC-20 token, so not dedicating operational resources
16 to do this.
17 And those were the two main drivers.
18 **Q Anything else?**
19 A Not that I'm aware of.
20 **Q Okay. So resources was one of the drivers**
21 **there?**
22 A Yes.
23 **Q Okay.**
24 MR. MITCHELL: But didn't Kik need to sort of
25 put in an application with an exchange before the

Page 492

1 exchange could list an ERC-20 token?
2 THE WITNESS: Not all exchanges. Some require
3 an application, but most do not.
4 BY MR. LEASURE:
5 **Q Let me ask about that, because it sounds like**
6 **both -- before the sale, exchange outreach was put on**
7 **hold out of resource concerns; right?**
8 A Yes.
9 **Q And then after the sale, whatever's being done**
10 **by now is being down by an independent contractor to the**
11 **Foundation; right?**
12 A Yes.
13 **Q And that's in part because Kik employees have**
14 **too many other things to do?**
15 A Yes.
16 **Q So it seems like both before and after the**
17 **sale, there's some resource allocation, and this isn't**
18 **top-of-the-list. Is that fair?**
19 A Correct.
20 **Q Let me just -- I'm just curious -- push you on**
21 **that, because when I -- every now and then, if I look on**
22 **Reddit about Kin, I -- obviously I can't know who those**
23 **people are on Reddit or what their concerns are, but it**
24 **seems like there's a lot of -- correct -- you might**
25 **disagree with me, it seems like there has been, over**

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1 **time, a lot of complaints about why isn't Kin on more**
2 **exchanges. Can -- would you agree that that's common on**
3 **social media?**
4 A Yes.
5 **Q And so that -- just curious, if that is a**
6 **concern, why not devote resources to it?**
7 A Not all business decisions that Kik makes are
8 driven by voices on Reddit. There have been some
9 concerns from people at Reddit about having operational
10 resources allocated to getting on exchanges. That was a
11 business decision that Kik made to not do that, given
12 that their -- Kin is listed on exchanges, exchanges are
13 free to list Kin if they would like, and that was not a
14 primary concern of the company.
15 MR. MITCHELL: At any time?
16 THE WITNESS: There have been -- this topic
17 has been revisited multiple times as to whether to
18 dedicate more operational resources to exchanges, given
19 that there are obviously voices that you hear in the
20 community.
21 We do not ignore everyone on Reddit, but we do
22 not unilaterally make decisions based on what is
23 up-voted most on Reddit.
24 BY MR. LEASURE:
25 **Q Is that a -- you said there have been**

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1 **discussions within Kik about resource allocation to this**
2 **issue?**

3 A There were discussions about resource
4 allocation across any project pretty much quarterly.

5 **Q Understood. I'm wondering if this is a --**
6 **would you characterize this as a controversial topic**
7 **within Kik, whether we should be -- whether Kik should**
8 **or shouldn't be putting efforts in this space?**

9 A Like anything, there are some people that want
10 to allocate resources in different directions, and
11 ultimately management makes a decision where to do that.

12 There are people that advocate more for
13 certain projects than others. A lot of those voices, I
14 would assume, likely come from the Community team, given
15 that they are on the front lines hearing this on Reddit,
16 but, again, management weighs all of the variables in
17 operating the business.

18 **Q Is it right that some exchanges require an**
19 **application to be listed on that?**

20 A Yes.

21 **Q Tell me about that.**

22 A Some exchanges -- Bittrex, we talked about
23 before, requires an application to -- for them to
24 actually go through and review a token.

25 That is a business decision they made. There

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1 coffee, and gave them a general overview of the Kin
2 project.

3 Prior to that, Eileen and I had a call with
4 them as well.

5 **Q Okay. Roughly when was -- when were these**
6 **discussions taking place?**

7 A Those were roughly Q1 or Q2 of 2018.

8 **Q After the token sale?**

9 A Yes.

10 **Q What did you and Eileen tell Kraken?**

11 A We -- Kraken was largely asking questions
12 about Kin: What the vision for Kin was; what, you know,
13 was unpacked in the white paper, essentially; and giving
14 some more color on the applications of Kin.

15 **Q Did they ask anything about whether Kin is a**
16 **security? Whether there are SEC issues?**

17 A They did not.

18 **Q Okay. One or two more, and then we have to**
19 **take a brief break.**

20 A No problem.

21 **Q Coinrail, a Korean exchange?**

22 A Yep.

23 **Q Tell me about any outreach Kik has made to**
24 **them.**

25 A I don't believe there was any outbound

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1 is no technological reason why they need to have an
2 application. They could list Kin tomorrow without an
3 application if they wanted to. And the some of the
4 larger exchanges put that in place.

5 **Q Do you know why they've put it in place?**

6 A Some of the larger exchanges are making
7 business decisions. I believe some of that related to
8 compliance as well as sophistication of the team and a
9 lot of different variables.

10 **Q Is one of the variables concerns about the SEC**
11 **or other securities regulations?**

12 A I believe that is one of the variables in a
13 lot of the applications.

14 **Q Got it.**

15 **Have people from Kik contacted Kraken about**
16 **getting listed on their exchange?**

17 A There have been conversations with Kraken. I
18 have had conversations with the team at Kraken, was not
19 a hard push to have it listed. It was something that
20 there was an introduction made to the team at Kraken, I
21 believe by the Token Alliance, which is, I think, a team
22 out of DC, actually.

23 Perianne Boring, she runs that organization.
24 They made an introduction to Kraken. I happened to be
25 in San Francisco, met up with a few of the guys for

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1 outreach to Coinrail. There have been a lot of inbounds
2 from different exchanges to the team at Kik and Kin. A
3 lot of those get forwarded to me, so I may have had an
4 e-mail exchange with Coinrail. I don't recall a
5 specific conversation.

6 I do not recall if anything was submitted to
7 Coinrail or not.

8 MR. LEASURE: Let's go off the record.

9 THE WITNESS: Okay.

10 THE VIDEOGRAPHER: This concludes disk number
11 two. Going off the video record. The time on the
12 monitor is 2:36 and 53 seconds.

13 (A recess was taken from 2:36 p.m. to 2:47
14 p.m.)

15 THE VIDEOGRAPHER: This begins disk number
16 three. We are back on the record. The time on the
17 video monitor is 2:47 and 40 seconds p.m.

18 BY MR. LEASURE:

19 **Q On the record after a brief break, during**
20 **which, Mr. Philp, did you have any substantive**
21 **conversations about this investigation with the SEC**
22 **staff?**

23 A No, sir.

24 **Q Bittrex, was there outreach to Bittrex about**
25 **getting listed?**

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1 A There was an introduction to Bittrex made, I
2 believe, by the team at Pantera.

3 **Q Okay. And I think I see that in the**
4 **documents. It looks like you may have been introduced**
5 **to a guy at Bittrex named Bill Shihara S-H-I-H-A-R-A?**

6 A Good pronunciation, too.

7 BY MR. MITCHELL:

8 **Q Did Kik ask for the introduction?**

9 A No.

10 **Q Why did they introduce?**

11 A Pantera knows Bill very well, and to my
12 understanding, Bill had asked Pantera about Kin.

13 BY MR. LEASURE:

14 **Q Was Pantera seeking to get Kin listed on more**
15 **exchanges?**

16 A Pantera had made introductions to a few
17 different exchanges. They have relationships at a lot
18 of them, and from my understanding, they have exchanges
19 reaching out to them about tokens that they're involved
20 in pretty frequently.

21 **Q Does Pantera sometimes reach out to exchanges**
22 **themselves?**

23 A Yes.

24 **Q Okay. And do you have a sense of why Pantera**
25 **might like to have a token they own listed on an**

Page 499

1 **exchange?**

2 A I do not know specifically why they would want
3 to establish the relationships with the exchanges.

4 **Q Do you know generally?**

5 A No.

6 **Q Okay.**

7 **So Pantera -- through Pantera, you -- Kik gets**
8 **connected to Bittrex; is that right?**

9 A Correct.

10 **Q What happened next?**

11 A There was a short e-mail exchange, I believe,
12 with Bill from Bittrex, and subsequently I believe there
13 was a phone or a video call in late 2017. I believe it
14 was Eileen, myself, and Bill.

15 **Q Tell me about that.**

16 A There was a short call very similar to what I
17 described as the conversation with Kraken, was outlining
18 some of the vision for Kin. Bill had some questions,
19 given he already knew about the project, had read the
20 white paper, and had reached out about Kin. So it was
21 very much answering some of his general questions,
22 unpacking some things from the white paper.

23 **Q Anything in particular?**

24 A He was asking specifically about Kik Points.
25 He wanted to know a little bit more about what happened

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1 with Kik Points on Kik previously, and I believe he was
2 also asking about the status and stickers that was live
3 in Kik at the time.

4 **Q Did the topic of whether Kin was or was not a**
5 **security come up?**

6 A I do not recall if that was a specific line of
7 questioning.

8 **Q Did that subsequently come up?**

9 A I believe Eileen has had conversations with
10 their team. I don't know the substance of those
11 conversations.

12 **Q I apologize. Eileen is Kik's general counsel?**

13 A Correct.

14 **Q Do you know what she's told them?**

15 A No.

16 **Q You weren't involved in that?**

17 A No.

18 **Q Let me show you a document just through this**
19 **chronology.**

20 A Yep.

21 **Q I'm marking this as Exhibit 125.**

22 (SEC Exhibit No. 125 was marked for
23 identification.)

24 **Exhibit 125 is a multipage printout of an**
25 **e-mail chain ending November 8th, 2017, with the subject**

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1 **Kin Bittrex Listing. It begins with the Bates stamp Kik**
2 **17330.**

3 **My first question is do you recognize this**
4 **document?**

5 A I do.

6 **Q What is it?**

7 A This is an e-mail chain between myself and a
8 few of the team members at Pantera.

9 **Q I see. And wouldn't you agree that this**
10 **e-mail chain reflects Pantera's effort to connect Kik**
11 **with Bittrex?**

12 A Yes.

13 **Q Okay.**

14 **I'm just going to start at the beginning and**
15 **walk you through a few things. If you go to the last**
16 **page with any substantive text on it, that's 17338 --**

17 A Yes.

18 **Q -- where Matt Gorham writes: Guys, Kik wants**
19 **us to submit their listing request with Bittrex.**

20 **Let me pause there. Did Kik ask Pantera to**
21 **submit their listing request with Bittrex?**

22 A So prior to this, Paul had made a connection
23 with Bittrex. I believe the call I referenced that
24 Eileen and I had with Bill was prior to this e-mail.

25 Bill had asked on that call -- they were

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1 interested in listing Kin on their exchange -- asked
 2 Eileen to submit an application through their portal.
 3 In doing so, their -- and I believe it's on Bates No.
 4 00017336, there's actually a screenshot here. It's from
 5 my e-mail, and it talks about an enhanced verified
 6 account. That should be someone submitting the
 7 application.

8 So I had reached back out to Pantera, given
 9 they made the initial introduction and I knew they had a
 10 relationship with Bittrex, and asked if they would make
 11 the submission that Bill had requested we make, given
 12 that we did not have an enhanced verified account.

13 **Q Got it. And is -- does Pantera qualify to be**
 14 **an enhanced verified account per Bittrex's requirements?**

15 A There was -- if I'm reading this -- enhanced
 16 verified account.

17 I do not know how Bittrex specifically would
 18 view some of their statements in here, given that there
 19 are a bit of -- a couple nebulous terms. "Company that
 20 backs the development of the coin," that is relatively
 21 ambiguous.

22 I believe the question was if Pantera would be
 23 a candidate to submit this, and I do not recall
 24 specifically if that question was posed to Bittrex if
 25 Pantera would qualify.

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1 **Q Fair enough. In terms of Kin, do you know who**
 2 **the company that backs the development of the coin is?**

3 A I do not know how they define that.

4 **Q You don't know if it's Kik or somebody else?**

5 A I do not know how they define it, no.

6 **Q That's fine.**

7 **Later on in the chain, on Bates stamp ending**
 8 **331, do you see a gentleman named Joey Krug?**

9 A Yes.

10 **Q He's asking if anyone has talked to Poloniex,**
 11 **Kraken, and GDAX, G-D-A-X. Do you see that?**

12 A Yes.

13 **Q Were those exchanges that Kik was contacting**
 14 **at this time?**

15 A To the best of my knowledge, there was not any
 16 direct outreach to Poloniex or Kraken. The team at
 17 GDAX, there was some discussion with them on some other
 18 items.

19 For example, when Kik received revenue in
 20 Ether from the token sale, Derek was evaluating
 21 different companies that would convert that to U.S.
 22 dollars, and GDAX was one that Derek was talking to. So
 23 there was some dialogue with GDAX, but it was on a
 24 different track.

25 **Q As I read, it also seems that Joey at Pantera**

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1 **is, correct me if I'm wrong, complaining about why is**
 2 **this just happening in November. Do you see that?**

3 A Yes.

4 **Q Would you agree with my interpretation that**
 5 **Pantera is impatient in pushing for Kin to be listed on**
 6 **large exchanges?**

7 A I would say, based on Joey's statement here,
 8 it reads as if they are a little -- or he is a little
 9 bit frustrated. I would also say that it sounds like
 10 there is not a lot of communication at Pantera
 11 specifically, because Paul had the main relationship
 12 with Bittrex and had made the introduction prior to
 13 this.

14 **Q Yep. Let me -- one more comment by Pantera.**
 15 **It is on the first page.**

16 A Yes.

17 **Q At Bates stamp 330, Dan Morehead writes:**
 18 **Really need to bump up the urgency and push to get this**
 19 **listed. Having tiny volume pushing the price down could**
 20 **be self-fulfilling.**

21 **Do you have knowledge of what Mr. Morehead**
 22 **meant by "having tiny volume pushing the price down**
 23 **could be self-fulfilling"?**

24 A I can't specifically speak to exactly what he
 25 meant, because it is a little bit ambiguous. I believe

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1 what he's talking about was that at the time, there was
 2 not a lot of volume, day-over-day, of people buying in
 3 and out of Kin, whether selling or buying, and if the --
 4 at the time, the price was going down, he thought that
 5 could continue.

6 **Q Why would tiny volume push the price down? Do**
 7 **you know?**

8 A I do not know specifically why Dan would be
 9 saying that. He has his own view as to how to look at
 10 tokens.

11 **Q Okay. Unless there's anything else, I'm going**
 12 **to take this document back. Thanks.**

13 **So did Kik ultimately submit an application to**
 14 **Bittrex for listing Kin?**

15 A I believe so, yes.

16 **Q Tell me about that.**

17 A I believe Eileen Lyon submitted an application
 18 to Bittrex.

19 **Q Okay. Why Eileen as opposed to somebody else?**

20 A Eileen handles a lot of administrative work,
 21 her and her team, for Kik, and that fell within her
 22 team's responsibility.

23 **Q Did --**

24 MR. MITCHELL: Sorry, one second.

25 Did Pantera ever submit an application to

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1 Bittrex to list the Kin token?

2 THE WITNESS: I do not know if they submitted

3 an application or not. Eileen was driving that work

4 stream.

5 BY MR. LEASURE:

6 **Q I'm marking this as Exhibit 126.**

7 **(SEC Exhibit No. 126 was marked for**

8 **identification.)**

9 **Exhibit 126 is a multipage printout of an**

10 **e-mail chain ending January 8th, 2018, with the subject**

11 **Kin Token. It has the Bates stamp Kik 127879.**

12 **You ready?**

13 A I'm good.

14 **Q Excellent. What is this document?**

15 A This is an e-mail exchange between Eileen Lyon

16 and a few members of the Bittrex team with an attachment

17 that is a letter from Kik's Canadian counsel, Ross

18 McKee, that was sent to Pat Chaukos at OSC Launch Pad.

19 **Q Chaukos is C-H-A-U-K-O-S?**

20 A Yes.

21 **Q Okay. And does this reflect the**

22 **application -- and -- not -- does this reflect, in part,**

23 **the fact that there'd been an application to Bittrex to**

24 **list the Kin token?**

25 A Yes.

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1 **Q Done by Eileen Lyon?**

2 A Yes.

3 **Q It looks like the application happened**

4 **sometime on or before December of 2017. Is that your**

5 **interpretation?**

6 A I believe so, yes.

7 **Q Okay. And it looks like Bittrex takes their**

8 **time in getting back?**

9 A Yes.

10 **Q I see Bittrex responds to Ms. -- to Eileen's**

11 **e-mail of December 5 after the new year on January 8th;**

12 **correct?**

13 A Yes.

14 **Q Okay. On December 5th, Eileen wrote: We'd**

15 **appreciate getting a sense of timing on this to manage**

16 **expectations among our executive team.**

17 **Was the Bittrex listing something the**

18 **executive team was focused on?**

19 A Yes.

20 **Q Why?**

21 A This was something that was heard from the

22 community, as I mentioned before, and like I said, we do

23 not ignore the community, and there was a desire to have

24 Kin listed on Bittrex, given a lot of consumers buy and

25 sell tokens on Bittrex and the executive team wanted to

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1 put forth some effort to be listed on Bittrex.

2 **Q Okay. Someone in particular on the executive**

3 **team?**

4 A I believe it was broadly shared opinion across

5 the executive team.

6 **Q So Mr. Heinke, Mr. Livingston had that**

7 **opinion?**

8 A I believe so, yes.

9 **Q Okay.**

10 **Do you see Ms. Harrison at Bittrex asks: Did**

11 **you send us your U.S. security analysis memo?**

12 A I see that.

13 **Q So Bittrex asked for an analysis of whether**

14 **Kin was a security under U.S. law?**

15 A I believe they asked for some supporting

16 documentation. I didn't see the specific application.

17 **Q That's fine. Okay. But -- so you didn't see**

18 **what was actually submitted?**

19 A No.

20 **Q Do you know why you're copied on this e-mail?**

21 A I was copied on this e-mail because I have

22 been involved -- I was involved in the initial

23 discussion with Bill. That intro ended up happening to

24 me.

25 I've also had one or two conversations with

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1 Katie and Julian, so I think I was here more as an FYI.

2 **Q Got it. This was -- is it Ms. Lyon?**

3 A Yes.

4 **Q Ms. Lyon driving this process?**

5 A Yes.

6 **Q Okay. Is -- and is Bittrex the only exchange**

7 **who requested an analysis of whether Kin constituted**

8 **securities under U.S. law?**

9 A I do not believe so.

10 **Q Others did as well?**

11 A I believe so.

12 **Q Okay. And generally, what did -- when**

13 **exchanges asked for that, what did Kik personnel provide**

14 **those exchanges, if anything?**

15 A I don't believe a lot of applications have

16 been submitted. There have been be a few --

17 **Q Okay.**

18 A -- and I believe the attachment to this e-mail

19 is what was provided in those instances.

20 **Q Each time?**

21 A I do not know specifically, because I did not

22 submit the applications, so I don't want to say

23 definitively.

24 **Q Fair enough.**

25 **Which -- if you can, which exchanges asked for**

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1 an analysis of whether Kin are securities under U.S.
 2 law?
 3 A I don't recall the others. I did not see the
 4 applications.
 5 Q Okay. Would Ms. Lyon know that?
 6 A Ms. Lyon would know that.
 7 Q Anyone else at Kik who would know that?
 8 A There is a member of Eileen's team who helped
 9 with some of the administrative work, and she was -- she
 10 prepared some of the files as well.
 11 Q Okay. And so sitting here today, you're not
 12 aware if any analysis other than the letter from
 13 Canadian counsel to the OSC was provided to an exchange?
 14 A To the best of my knowledge, this is all that
 15 has been provided to an exchange.
 16 Q What ultimately happened with this
 17 application?
 18 A This application is still pending. There have
 19 been discussions intermittently with Bittrex. I know
 20 Ted has had discussions with Bill from Bittrex in New
 21 York. During the conference of consensus, Eileen and I
 22 met Katie in person. We had had -- exchanged e-mails
 23 before, so we got coffee, talked broadly about Kin, and
 24 a little bit about the process that they were undergoing
 25 for review.

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1 And subsequent to that, I think a few e-mails
 2 have been exchanged, but largely Eileen owns the
 3 relationship.
 4 Q Do you -- would you agree that there's been
 5 somewhat of a holdup in getting this listed on Bittrex?
 6 A Yes.
 7 Q It's been nine months? Eight months since the
 8 application?
 9 A About that.
 10 Q Do you know what the cause of the holdup is?
 11 A I do not know.
 12 Q Is it related to SEC issues or something else?
 13 A I don't know.
 14 Q Eileen would know? If -- I'm sorry.
 15 A I don't know if any of us know.
 16 Q Okay. Bittrex might know?
 17 A Bittrex might know why they're prioritizing
 18 different tokens in different ways.
 19 Q It's -- let me ask that in a better way.
 20 It's not that Kik isn't giving information
 21 that Bittrex has requested on a timely basis?
 22 A No.
 23 Q Okay. All right. We're done with that.
 24 Thank you.
 25 Do you know a gentleman named Steven,

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1 S-T-E-V-E-N, Nerayoff, N-E-R-A-Y-O-F-F?
 2 A Yes.
 3 Q Who is that?
 4 A He is a participant in the presale.
 5 Q Oh, so he was an accredited investor who
 6 purchased SAFTs?
 7 A Yes.
 8 Q Okay. On his own behalf or through an entity?
 9 A Through an entity.
 10 Q What's that entity's name?
 11 A I believe it was Maple Ventures.
 12 Q Okay. And is he -- did -- what do you know
 13 about what he does in the space generally, if anything?
 14 A He is a lawyer by trade. He, I believe, was
 15 connected to the Ethereum team early on.
 16 He actually made a claim that he invented the
 17 term "gas." I don't know if I believe him or not.
 18 Q Oh, "gas" being what you pay to transfer an
 19 Ether?
 20 A Yes. And he works across a lot of different
 21 token projects. He has, I believe, advised on some and
 22 participated in some token sales.
 23 Q What do you think of him?
 24 A I think he is a very nice gentleman.
 25 Q Did he ask -- did he offer to help Kik get Kin

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1 listed on exchanges?
 2 A Yes.
 3 Q Tell me about that.
 4 A He, similar to Pantera, is well-connected to a
 5 lot of exchanges, said that he had had some reach out to
 6 him. He also felt that Kin would be a good fit with
 7 some exchanges, given the market overlap, and offered to
 8 either make some connections or speak directly to
 9 exchanges.
 10 Q Did he do that?
 11 A I believe so, yes.
 12 Q Which exchanges?
 13 A I know he knows the team at Bittrex well, so
 14 he had had conversations with Katie and Julian. Outside
 15 of that, I don't recall specific exchanges.
 16 I've had a lot of conversations with Steven,
 17 most of them were related to Bittrex.
 18 Q Yeah. Let me show you an e-mail that may be
 19 relevant. I'm marking Exhibit 127.
 20 (SEC Exhibit No. 127 was marked for
 21 identification.)
 22 A Thank you.
 23 Q Exhibit 127 is a multipage printout of an
 24 e-mail chain ending September 26th, 2017, with the
 25 subject Address Confirmation. It begins with the Bates

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1 stamp Kik 20135.

2 My first question is do you recognize this
3 document?

4 A I do.

5 Q What is it?

6 A It is an e-mail exchange with Steven Nerayoff
7 and myself, started with address confirmation for his
8 participation in the token sale and there was some
9 subsequent discussion in here about exchanges.

10 Q Right. He asks to use a different Ethereum
11 address; is that right?

12 A Yes.

13 Q Do you know why he wanted to use a different
14 Ethereum address?

15 A I do not know.

16 Q Do you know if he held his Kin tokens or
17 traded them on after he acquired them?

18 A I do not know.

19 Q You don't know either way?

20 A No.

21 Q Let me ask you, on the page ending 20138?

22 A Yes.

23 Q On September 7th, 2017, you write: Okay.
24 I'll check with the team and get back to you. Also, on
25 the legal opinion question you had -- and the text

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1 THE WITNESS: Yes.

2 MR. LEASURE: Off the record.

3 THE VIDEOGRAPHER: Going off the record. The
4 time is now 3:12 and 8 seconds p.m.

5 (A recess was taken from 3:12 p.m. to 3:15
6 p.m.)

7 THE VIDEOGRAPHER: We are back on the record.
8 The time on the video monitor is 3:15 and 48 seconds
9 p.m.

10 MR. LEASURE: On the record after a brief
11 break, during which, Mr. Philp, you had no substantive
12 conversations about this investigation with SEC staff?

13 THE WITNESS: I did not.

14 MR. LEASURE: Okay.

15 Can I ask the reporter to repeat the question
16 that was pending?

17 (Whereupon the record was read.)

18 THE WITNESS: Mr. Nerayoff was speaking with
19 some exchanges about having Kin listed and referenced
20 that a few had asked for a legal opinion.

21 BY MR. LEASURE:

22 Q From Kik?

23 A Yes.

24 Q About what?

25 A About Kin and its analysis against securities

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1 follows; I just want the read out of some of it -- we
2 really appreciate the support you have provided for Kin
3 and your proactive approach with strategic partners
4 during the course of our path to the public sale of Kin.
5 We have been working closely with counsel. Right now no
6 reputable firm is providing a legal opinion due to the
7 uncertain regulatory regime currently in place.

8 We believe we have structured our offering to
9 avoid being characterized as a security because Kin has
10 a consumptive use. It's possible regulators may take a
11 different view, but we feel confident in our approach.

12 Did I read that correctly?

13 A Yes.

14 Q Within the ballpark? Can you give me any
15 context of what you're writing here and why?

16 A Steven had asked if Kik would provide a legal
17 opinion, and I was giving a response.

18 Q To whom? To him?

19 A To him.

20 Q What did he want a legal opinion for?

21 THE WITNESS: Can we go off the record?

22 MR. MITCHELL: Do you need to talk to your
23 lawyers?

24 THE WITNESS: Yes.

25 MR. LEASURE: About a privilege topic?

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1 law.

2 Q The Howey Test and the like?

3 A Yes.

4 Q Okay. And you provided him this in response?

5 A Yes.

6 Q Where did this language come from?

7 A This language was prepared with advice from
8 counsel.

9 Q You didn't write this solely?

10 MR. LENCH: Wait. I think he answered the
11 question. I'm concerned because he's already told you
12 that it's based on advice of counsel.

13 MR. LEASURE: Oh, I understand. Yeah.

14 MR. LENCH: So I'm not sure you're entitled to
15 get what -- you're asking what of this he wrote and what
16 of this the lawyer wrote, or exactly how that was gotten
17 to? Because I don't think that's appropriate.

18 MR. LEASURE: No. Then let me ask the
19 question again --

20 MR. LENCH: Okay.

21 MR. LEASURE: -- and we can see if you want to
22 make an objection.

23 Q You did not on your own write this language?

24 A This language was written on advice from
25 counsel. I do not recall when I initially had the

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1 discussion with counsel, but this was written based on
2 some conversations with counsel.
3 **Q That's fine. Which counsel?**
4 A Cooley.
5 **Q Okay.**
6 **"Right now no reputable firm is providing a**
7 **legal opinion due to the uncertain regulatory regime**
8 **currently in place." Is my interpretation correct that**
9 **that is no reputable firm is providing a legal opinion**
10 **to an exchange as to the application of the securities**
11 **laws to the Kin token?**
12 A A formal legal opinion on a token, it is --
13 was my understanding that no reputable firm was
14 providing a formal legal opinion.
15 **Q To exchanges?**
16 A Correct.
17 **Q Okay. And that was your understanding at the**
18 **time?**
19 A Yes.
20 **Q That -- and this was prior to the public sale?**
21 A This was in the middle of the public sale.
22 **Q That's a better way of looking at it. The**
23 **public sale was ongoing --**
24 A Yes.
25 **Q -- at this point? Okay.**

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1 **Has that changed since then? And let me**
2 **define the "that." Do you understand now that reputable**
3 **firms are providing legal opinion to exchanges?**
4 A To the best of my knowledge, quote unquote,
5 reputable firms are not providing formal legal opinions
6 on any token.
7 MR. MITCHELL: What's the -- sorry, are they
8 providing some kind of opinion that's not formal?
9 THE WITNESS: To my knowledge, there is a
10 specific -- a formal legal opinion is a specific type of
11 a document that a legal firm may provide. I am not a
12 lawyer, but my understanding is that there is a specific
13 delivery and format for a formal legal opinion.
14 BY MR. LEASURE:
15 **Q That's fine. As I read up the chain --**
16 **Mr. Nerayoff? --**
17 A Yes.
18 **Q -- states: I think we can get one, and you**
19 **will likely need it for listing on some major exchanges.**
20 **They have become much more difficult. I'm working on**
21 **it, so you don't, but I'll need you to hire the firm to**
22 **get the opinion if I can get you one. Working on it.**
23 **Did Mr. Nerayoff seek to find a law firm to**
24 **get a legal opinion written for Kik to provide to**
25 **exchanges?**

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1 A To my knowledge, he did not.
2 **Q So this didn't actually happen?**
3 A No.
4 **Q Do you know why not?**
5 A I do not know if Mr. Nerayoff followed up with
6 any of the law firms he mentioned, and it was not
7 something that Kik wanted to pursue.
8 **Q Why not?**
9 A Kik already had legal counsel and continues to
10 work with Cooley on that.
11 **Q Okay.**
12 MR. MITCHELL: What law firms did he mention?
13 THE WITNESS: He did not mention any specific
14 law firms by name.
15 BY MR. LEASURE:
16 **Q How would you -- meaning you personally -- how**
17 **would you measure in the future whether the Kin project**
18 **is successful?**
19 A I believe that the Kin project is successful
20 if users are using it and developers are integrating it.
21 **Q So the amount of users and developers using**
22 **it?**
23 A I think that's one way you could look at it.
24 I don't think there's a specific quantity of users or
25 developers.

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1 If people are using something and they get
2 value out of it, then I would see that as a success.
3 **Q And I just want to walk through other metrics**
4 **and see if you'd agree or disagree that they're metrics**
5 **relevant to evaluating Kin's success. Okay?**
6 A Okay.
7 **Q Number of transactions done using Kin?**
8 A I would see that as an indication that people
9 are using it and would indicate there is some value.
10 **Q Transactions done on the Kik messaging app?**
11 A I believe that would be a success for Kik, and
12 that would also be transactions -- a subsection of
13 transactions in the ecosystem, so sure.
14 **Q Absolutely. And I take it also the same**
15 **answer would obtain -- well, not the same answer. Let**
16 **me ask that in a better way.**
17 **The amount of transactions done on**
18 **applications other than Kik?**
19 A Would contribute to success?
20 **Q Absolutely.**
21 A Yes.
22 **Q Okay. How about whether the price of the**
23 **current -- of the Kin itself rises in the future?**
24 A If the price of Kin increases, that would be a
25 function of demand, and if demand is increasing and

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price is increasing, then that would indicate that people see some value in the Kin ecosystem, so I would say that, yes, that is one indication of some metric of success.

Q And I take it from your answer you would treat it as a symptom that accompanies success? In other words, it is indicative of the fact that demand for Kin has increased if -- that the price increases?

A Sorry, are you asking about a company?

Q Let me ask it a better way, because obviously I didn't communicate very well.

The price of Kin increasing, to you, is a measure of success for the Kin project; correct?

A The price of Kin would indicate that more people demand it and people would be demanding it because there's value, and I believe that success would be if people find value in the Kin ecosystem and demand that currency, so yes.

Q And so what I took from your answer is that the price of Kin rising would be a symptom or an effect of things that you think of as success for the project? Demand increasing, and the like.

A Yes.

Q Okay. Is it possible that the project, on your standards, is successful but that the price of the

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their experience with Kin?

A Yes.

Q Okay. And I'm just asking almost an economics question from your perspective.

A Okay.

Q Is it possible that that happens, that people do get value out of their experiences using Kin, and yet the price of Kin goes down?

A Some people could get value out of experiences with Kin if the value -- if the price of Kin goes down.

Q So it is possible for that to happen?

A Yes.

Q Okay.

How does Kik stand to profit itself from the Kin project, if at all?

A Kik is a participant in the Kin ecosystem and has consumer experiences, many of which are and will be tied to Kin, so they will be generating transaction volume.

They also -- Kik, the entity, owns a portion of Kin.

Q Okay. So to the extent the value of Kin in the world increases, Kik would thereby profit from its holdings of Kin?

A Kin -- Kik could sell some of the Kin it owns

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currency falls or stays flat?

A You're asking some hypotheticals about success. I view success as if people are getting value out of using Kin.

Q Totally.

A And if the price goes up or it goes down, if people are getting value out of that, I personally still see those as successful if people are getting value out of it.

Q Okay. And so the success is -- again, I don't want to get quibbling about the term "success." I more want to focus on what you're pointing to, what you -- how you evaluate the project. Okay?

You evaluate how the project is going based on whether people are getting value out of using Kin; correct?

A Yes.

Q And whether there's increasing demand to use Kin in transactions; is that right?

A That's a variable. I don't think that is the -- the demand itself is the only variable in determining success.

Q Okay. That's fine. And so the variable that you do see as fundamental to the success or failure of the project is whether people are getting value out of

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and fund its operations.

Q Is -- let's say Kik doesn't do that, because the value of Kin decreases. Is there a way that Kik could nevertheless stand to profit from the Kin project?

A Sorry, I'm trying to unpack your question, because you're talking about the value of Kin decreases.

Q Value of Kin's gone down.

A Kik could sell some of that Kin, whether it had gone up or down. It's also -- you're talking about going up or down. I don't know what that is relative to.

Q Sure.

A But if Kin has some value and some people demand it, then there would be the opportunity for Kik to sell some of that Kin to fund its operations.

Q Fair enough, and I should have asked a more basic question.

Kik acquired some Kin during the token distribution event?

A Yes.

Q How much -- who did it acquire it from?

A Kin was generated in a smart contract. 60 percent was allocated to the Kin Foundation, 30 percent was allocated to Kik, and 10 percent was sold.

Q So the 30 percent that Kik got during the

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1 token distribution event, Kik created via smart
2 contract?

3 A The smart contract generated the Kin, and the
4 smart contract was written by members of the CoinTree
5 team who were contracted by Kik.

6 Q Okay. Kik didn't buy the 30 percent of Kin
7 that it acquired from CoinTree?

8 A No.

9 Q Kik didn't buy it from anyone?

10 A No.

11 Q Do you know what the -- I want to introduce a
12 concept, but I want to make sure it's something you're
13 familiar with and use the term. Do you know what the
14 concept is of an asset having a "basis"? In other
15 words, a value of the asset upon its acquisition?

16 A I am familiar with the concept.

17 Q Sure. Did -- when Kik acquired Kin during the
18 token distribution event, did it have a basis in that
19 asset?

20 A The Kin that Kik owns, the value that was
21 allocated to the Kin Foundation, and the Kin that was
22 allocated to sale participants is all the same Kin;
23 therefore, the price of Kin relative to what people paid
24 for it in the token sale would infer a value of Kin,
25 which is the same for Kik, Kin Foundation, and sale

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1 participants.

2 Q So I'm not asking for a tax or a legal opinion
3 here, I'm just asking for your sense. If Kik were to
4 sell some portion of the Kin it holds tomorrow, would
5 you figure out how much it gained from that sale by
6 subtracting from the value of the sale price the value
7 of the price of Kin on the day of the token distribution
8 event?

9 A I don't know how that would be treated from a
10 tax gain or loss perspective.

11 Q And I promise you I'm not asking that. I'm
12 asking how you would think about.

13 A How I would think about it?

14 Q Yes, sir.

15 A I don't know what I would classify as the
16 basis for Kin, given that -- I mean, you are asking a
17 tax question, essentially: A gain or a loss.

18 Q Okay. This began with me asking were the
19 value of Kik's Kin holdings to go down, would there be a
20 way for Kik to nevertheless profit overall from the Kik
21 -- the Kin project.

22 A So you're using the term "profit," and profit,
23 based on the statement you just made about gain or loss,
24 would infer that there was a gain or a loss; correct?

25 Q I'm trying to ask if there's a way Kik stands

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1 to make money other than from potential -- from the Kin
2 -- from the project other than from selling Kin.

3 A Kik's business goals --

4 Q Yeah.

5 A -- and business model is to sustain itself
6 through involvement in the Kin ecosystem. That is the
7 vision for Kin was that each developer has a piece of
8 this finite asset and as demand for that asset
9 increases, obviously the value for that asset -- and I'm
10 using "asset" -- again, I mentioned this yesterday. I
11 talk about cryptocurrencies as an asset because it sits
12 -- I just wanted to -- because I know "asset" gets used
13 a lot.

14 Kik is a participant in the Kin ecosystem,
15 just like all the other developers, and is using Kin as
16 a fundamentally new business model to sustain itself.
17 That is the vision for the Kin ecosystem.

18 And as demand increases, the value of Kin
19 increases, as we've talked about, and Kik is -- as a
20 participant, is using Kin as that business model and
21 would use that to fund its operations.

22 Q And how would you -- how would or will Kik use
23 Kin to sustain its business operations?

24 A Kik will likely sell some portion of Kin to
25 fund its business operations.

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1 Q Great. And -- okay.

2 MR. MITCHELL: Has Kik sold any Kin yet?

3 THE WITNESS: No.

4 BY MR. LEASURE:

5 Q Does it have plans to?

6 A In the future, I'm sure Kik will. There's
7 nothing specific in terms of timing that I've heard of.

8 Q I believe yesterday you laid out percentages
9 -- at Kik's various offices around the globe,
10 percentages of roughly what percentage of time people
11 are spending on the Kin project versus Kik's other
12 business line. Do you remember that?

13 A Yeah. I was talking about some -- but
14 specifically, I was talking about some percentage of Kik
15 employees are working on general tools for Kin.

16 For example, the blockchain that runs all of
17 the Kin transactions or the SDK that Kik uses as well as
18 other developers. And I was referencing that some
19 employees at Kik work on specific functions related to
20 Kik the Messenger, but that all is encapsulated in Kin
21 because Kik is a participant in this Kin ecosystem.

22 Q Got it. So if I were to ask you to give me a
23 breakdown, you know, generally of Kik employees who work
24 on Kin versus who work on the Kik Messenger app, is it
25 fair to say you would find that somewhat of a non

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1 **sequitur of a question?**

2 A They are similar, but I would say that some
3 are generalized tools that everyone uses, including Kik,
4 and some employees work on things that are more
5 exclusive to Kik. But Kik, being a participant, it
6 still has impact on the Kik ecosystem.

7 **Q Understood.**

8 **And in your view, correct me if I'm wrong,**
9 **Kik, in 2017, fundamentally shifted its business model**
10 **to focus on Kin; correct?**

11 A Correct.

12 **Q It's all-in on this project?**

13 A Yes.

14 **Q That's why I'm asking if it's a non sequitur.**
15 **In other words, it's somewhat strange to ask if work**
16 **being done on the Kik Messenger app has nothing to do**
17 **with Kin.**

18 A Right.

19 **Q Right. Because all of it --**

20 A Yes.

21 **Q -- ultimately has to do with Kin.**

22 **Okay. And Kik is using, in some ways -- well,**
23 **Kin -- Kik has not sold any of the Kin that it obtained**
24 **in the token distribution event; correct?**

25 A Correct.

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1 **Q So this was a regular quarterly meeting?**

2 A Yes.

3 **Q I take it since it happened right after the**
4 **token distribution event, it was focused on Kin and**
5 **Kin's future?**

6 A Yes.

7 **Q Okay. And what can you remember about the**
8 **discussions in that meeting?**

9 A I remember that there were discussions across
10 a lot of the different variables of the business, both
11 on Kin and Kik. As we said, they're relatively
12 synonymous given that Kik is all-in on Kin, but that
13 centered around everything from product to engineering
14 and some business considerations, some discussion
15 about -- I believe, the Kin Rewards Engine was a topic
16 of discussion, amongst some others.

17 **Q So there's different work streams ahead on the**
18 **Kin project; right?**

19 A Yes.

20 **Q Okay. And then breaking it down, some on the**
21 **rewards engine, some on technological issues --**

22 A Yes.

23 **Q -- things like that?**

24 A Exactly.

25 **Q Did you personally have a focus at the time?**

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1 **Q And so it -- some -- not all, but some of**
2 **Kik's ongoing operations since the token distribution**
3 **event have been funded by proceeds from the private and**
4 **public sale?**

5 A Correct.

6 **Q Okay.**

7 **We're going to talk about what Kik's been**
8 **doing since the token distribution event.**

9 A Cool.

10 **Q First, it seems like -- from the documents at**
11 **least, it seems like there was -- not an all-hands-on**
12 **meeting, but an important meeting in Tel Aviv that took**
13 **place after the token distribution event in October of**
14 **2017?**

15 A Yes.

16 **Q Do you remember -- were you there?**

17 A I was there.

18 **Q Tell me about that meeting and what its**
19 **purpose was.**

20 A Kik typically does quarterly strategy
21 sessions, usually involving executive team and some key
22 members of some of the functional teams as well. So not
23 exclusive to the executive team, but usually management
24 and mid-level management that are driving execution, and
25 there was a meeting in Tel Aviv.

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1 A At the time, I was working with some of the
2 team on the Kin Rewards Engine. I was also doing a
3 little bit of business support with Eileen on
4 compliance. She obviously drives compliance, but one of
5 my kind of roles was interfacing with some of the
6 Product and Engineer teams and helping consolidate those
7 thoughts such that they could interface easily with the
8 Compliance team.

9 **Q And compliance with securities laws or other**
10 **things?**

11 A All things --

12 **Q All things.**

13 A -- compliance.

14 **Q Not just --**

15 A Not just securities laws.

16 **Q Okay.**

17 **Let me show you what I think is a -- some**
18 **notes from that meeting.**

19 (SEC Exhibit No. 128 was marked for
20 identification.)

21 **I'm marking this as Exhibit 128.**

22 A Thank you.

23 **Q Take a look at Exhibit 128, and let me know**
24 **when you're ready. It's a multipage printout of a**
25 **document beginning with Bates stamp Kik 129301. I'll**

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1 represent to you this was a document that was produced
2 by Kik to us that was in Rod McLeod's files?

3 A Good pronunciation.

4 Q Thank you. Rod McLeod's files, and in the
5 metadata it came with the title Martha's Notes.

6 A Okay.

7 Q I don't know if it was a Word document or
8 otherwise.

9 Because this is --

10 A It's extensive.

11 Q -- an extensive document, I'm going to point
12 you to specific sections in here.

13 A Perfect.

14 Q Can you -- and first, do you recognize this
15 document?

16 A I do.

17 Q What is it?

18 A These are meeting minutes from the different
19 sessions that happened at the off-site titled Tel Aviv
20 Summit.

21 Q Are these typically prepared for these
22 quarterly meetings?

23 A Typically someone will take minutes, that
24 changes depending on the off-site who takes the minutes.
25 Looks like Martha took very extensive minutes.

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1 Q Who is Martha?

2 A She worked under Eran on the product
3 organization.

4 Q Okay.

5 A I believe she led all project management.

6 Q And what was the purpose of these minutes, to
7 your knowledge?

8 A Just to maintain a record and notes for all
9 the meetings.

10 Q Are they -- would minutes like this usually be
11 circulated to meeting attendees after the meeting?

12 A Yes.

13 Q Were these, do you recall?

14 A I believe these likely were. I don't recall
15 really reviewing them afterwards. They may have been
16 shared with me, but I was in the meeting, so I didn't
17 probably review them.

18 Q You've anticipated. You don't recall
19 reviewing this either way?

20 A No.

21 Q Whether you did or you didn't?

22 A No.

23 Q Okay. Okay.

24 Let me point you, as promised, to a few
25 specific things in here.

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1 A Yep.

2 Q On page 2 -- so I take there were opening
3 remarks -- I'm sorry. I should have pointed you to page
4 1, and I apologize.

5 The meeting began with opening remarks by Ted
6 Livingston; is that right?

7 A Yes.

8 Q Okay. And that's typical for these meetings?

9 A Always.

10 Q Okay. So Ted's laying -- Ted Livingston is
11 laying out the vision post-TDE for the Kin project; is
12 that fair?

13 A Yes.

14 Q Okay. There's bullets that begin: Why this
15 summit? What decisions do we need to make to actually
16 execute?

17 Do you see that?

18 A Yes.

19 Q What decisions were there being discussed to
20 execute?

21 A I believe one of the key decisions of this
22 off-site was around technical considerations. There was
23 some obvious scalability challenges with Ethereum at
24 the time, and the Product team was looking to iterate on
25 the initial product that was launched, but recognized

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1 there would be significant barriers to actually scale
2 that product. So a lot of the discussion, if I recall
3 this, was about the scalability solutions to that.

4 Q Let me point you to the page 129305. There's
5 a section in this document called Session Three:
6 Critical Risk Areas. Tal, T-A-L --

7 A Yes.

8 Q -- and Tanner?

9 A Yes.

10 Q I take it that's you?

11 A That would be me.

12 Q And what's Tal's last name again?

13 A Kol.

14 Q K-O-L?

15 A K-O-L.

16 Q Okay.

17 First, there's a section in here called How Do
18 We Mitigate Friction.

19 Business: We need to define KPIs, make them
20 public, under-promise and over-deliver to show
21 attraction and build trust.

22 And it goes on from there, but let me just
23 pause there. What's meant by "friction"?

24 A I do not know. This part of the section was
25 driven by Tal. So -- and these are also Martha's notes

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1 of Tal speaking, so I am not sure.

2 **Q Okay. But this wasn't something you were**
3 **focused on at the time?**

4 A No.

5 **Q Okay. Were you focused on -- the next bullet**
6 **is Compliance: We need a strong opinion on, among other**
7 **things, utility versus security. Need to outline Kin as**
8 **currency.**

9 A No. That was still underneath that Do We
10 Mitigate -- How Do We Mitigate Friction section, which
11 was driven by Tal.

12 **Q Okay. So that -- was that topic something you**
13 **were working on? Compliance utility versus security?**

14 A That was largely driven by Eileen. Obviously
15 I interface with her organization, but largely driven by
16 Eileen.

17 **Q Maybe let me point to another section here**
18 **under Session 3 to see if this was something you**
19 **discussed.**

20 **The next page 129306: KRE is the carrot and**
21 **only works if Kin is valuable. How do we do that?**

22 **Do you see that?**

23 A I do.

24 **Q Let me pause. KRE, is that the rewards engine**
25 **we've been discussing?**

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1 **carrot, do you understand what that means?**

2 A I believe there's probably some paraphrasing
3 going on here --

4 **Q Sure.**

5 A -- in the translation of the notes. Largely,
6 the Kin Rewards Engine is the incentive for developers
7 to come and build in the ecosystem.

8 **Q So you agree with -- leaving aside what was**
9 **said in Tel Aviv and then at some point -- you agree**
10 **with the concept that the Rewards Engine is an incentive**
11 **for developers to join the project?**

12 A The Kin Rewards Engine is an incentive to
13 participate in the ecosystem, yes.

14 **Q Would you agree that it's an important part of**
15 **the project altogether?**

16 A I would say for the long-term sustainability
17 of the project, it is a key part of incentives, but not
18 the only incentive.

19 BY MR. MITCHELL:

20 **Q Do you -- the last bullet in that section that**
21 **says "need Scale Before KRE payments start," can you --**
22 **was there discussion within Kik at this time that you**
23 **needed to have some developers sort of with Kin**
24 **integrated before you could start the Kin Rewards**
25 **Engine?**

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1 A Kin Rewards Engine.

2 **Q Right. Did -- is this your language or Tal's,**
3 **to your knowledge, reflected here?**

4 A I believe this is a mix of Tal and I, because
5 -- so the first bullet point under Kin Rewards Engine,
6 and all the sub-bullet points attached to that, so the
7 one that says Expectation on Kin, the two bullet points
8 underneath that, and then the two bullet points
9 underneath those, would have been Tal.

10 Same with the second bullet point: Provide
11 Liquidity. The earn and spend, both need to be built
12 from beginning for ecosystem to thrive, I believe I
13 mentioned that in -- these are open discussion sessions
14 as well, just -- and I believe I was talking
15 specifically about Kik Points because I was there when
16 the product was being built.

17 And I do not recall -- because this was a
18 discussion, I believe multiple people were contributing
19 to this last bullet point about needing to scale before
20 Kin Rewards Engine pays out, but I believe that was
21 largely focused on there needs to be multiple developers
22 in the ecosystem that they could pay out to.

23 **Q And let me pause on what was said precisely in**
24 **Tel Aviv in October.**

25 **The concept that the Kin Rewards Engine is the**

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1 A The discussion here was that if the Kin
2 Rewards Engine started paying out immediately and there
3 was only one developer, they could potentially capture
4 the entire payout and then would potentially have such a
5 large balance that they were able to inflate transaction
6 volume in their digital service because they had so much
7 Kin.

8 **Q Right.**

9 A So there was a concern raised in discussion
10 about what would happen, for example, if only one
11 developer was getting pay out from the Kin Rewards
12 Engine and they could potentially perpetually game the
13 system. That was the basis of this bullet point.

14 **Q So at the time of this meeting, was the Kin**
15 **Rewards Engine -- well, let me just start: Was the Kin**
16 **Rewards Engine operational?**

17 A No.

18 **Q Okay. And had someone decided what the Kin**
19 **Reward Engine, what its inputs would be and how it would**
20 **work and what its output would be?**

21 A No.

22 **Q Overall, the -- was the goal of the Kin Reward**
23 **Engine to reward developers who integrated the Kin into**
24 **their apps or other products?**

25 A Yes.

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1 And I would also just go back, because I think
2 -- it was either earlier today or yesterday -- I had
3 made a comment that I felt the Kin Rewards Engine was
4 live to date because there were manual payouts, and I
5 differentiated between the algorithmic Kin Rewards
6 Engine and manual payouts.

7 And so this discussion was around this
8 algorithmic payout, and there was a discussion about
9 what the phases would look like such that, to your
10 point, what would the inputs and outputs be. Part of
11 that is having enough data to actually optimize and
12 almost running -- being able to draw from data to
13 understand what the right inputs and outputs would be to
14 mitigate it against some areas of game-ability.

15 I mentioned, for example, just sending
16 transactions between two users would be an obvious one
17 to mitigate against that.

18 So there was discussion about, okay, a manual
19 Kin Rewards Engine that has grants that pays out to
20 trusted developers that they're not going to just game
21 the system would generate transaction volume and then
22 would eventually move to this permissionless algorithmic
23 Kin Rewards Engine.

24 **Q Sorry, but the version was always that**
25 **eventually there'd be a permissionless --**

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1 A Algorithmic, yeah. Sorry, I know I used a
2 couple --

3 **Q No, that's great.**

4 A Yeah.

5 **Q I was just trying to make sure I was --**
6 **repeated.**

7 **That was always the vision?**

8 A Yes.

9 **Q Okay. And so -- but at this time -- sorry.**
10 **At the time of this meeting, or this time in -- this is**
11 **October?**

12 MR. LEASURE: November.

13 BY MR. MITCHELL:

14 **Q Sorry, November of 2017, had people decided,**
15 **okay, this is -- we know what to measure; we're worried**
16 **that there are those people that could game it, so we're**
17 **going to pick -- we know exactly what we're going to**
18 **measure, and we'll just start measuring those things?**

19 A There were some things written in the request
20 for comment, the Kin Rewards Engine RFC, that was
21 published. There was some good feedback that came
22 through on GitHub.

23 Following this, there, I believe, was continued
24 work with MIT. I believe the team in Israel was working
25 with the team at MIT on that.

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1 There was also the project with McKinsey as
2 well. So I would not say that there was a specific this
3 is the algorithm that's going to march forward with, but
4 there was a lot of hypotheses being developed.

5 **Q And you involved people from MIT to develop**
6 **them?**

7 A The team in Israel was working with the MI --
8 I've actually never spoken to the team at MIT.

9 **Q Sure. The MIT people, are those just -- like,**
10 **who are they?**

11 A There is a gentleman named Christian -- I
12 don't recall his last name -- but he spends a lot of
13 time looking at economics as well as crypto economics,
14 and I believe he had a lab at MIT that other people were
15 contributing to.

16 **Q Is he an expert in this field?**

17 A I would say that he is someone that -- I've
18 never met him, so I can't say I believe he's an
19 expert --

20 **Q Sure.**

21 A -- but I've heard a lot of good things and he
22 seems to be well knowledgeable and well thought of.

23 **Q And what about the McKinsey folks? Did Kik**
24 **pay McKinsey?**

25 A Yeah. I believe the contract was signed with

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1 Kik Interactive.

2 **Q So that McKinsey also gave advise on this --**
3 **on these kinds of questions?**

4 A Yes.

5 **Q And why didn't Kik just sort of start the Kin**
6 **Rewards Engine and then iterate it the way we were**
7 **talking about previously about how you can iterate a**
8 **product?**

9 A So the thought process that was discussed here
10 -- and I believe has continued to be the thought process
11 -- is do some of these manual grants so that people are
12 generating transaction volume, be able to take the
13 transaction volume that was generated and then apply
14 that to an algorithm to see, retroactive -- like, you
15 can do that reactively and see what would the payouts
16 have looked like over this time period.

17 **Q So that's sort of the process of gathering**
18 **data and then sort of running your algorithm to test**
19 **your algorithm --**

20 A Yes.

21 **Q -- to see how well it would have done?**

22 A Yes.

23 **Q Can you do that personally?**

24 A Can I do that personally?

25 **Q Yeah.**

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1 A Anyone could develop an algorithm and -- a
2 basic algorithm and take a bunch of data and inputs and
3 see what it spits out.

4 **Q You really think anybody could? Like, I could**
5 **just randomly pick an employee of Kik and they could do**
6 **that?**

7 A There would be different levels of
8 effectiveness, I believe, and some people probably have
9 better knowledge as to the type of algorithm it could
10 look like, but what I was saying is that anyone could
11 develop an algorithm.

12 **Q Okay. If they have the skill to develop**
13 **algorithms?**

14 A An algorithm is a broad term. It's an
15 equation.

16 **Q Sure. Is Kik just broadly just going to just**
17 **come up with any -- just sort of come up with an**
18 **equation?**

19 A No, that's why there's the RFC. So put out
20 the RFC, this is the initial thought process, get a
21 bunch of feedback, and potentially test multiple
22 algorithms concurrently.

23 **Q Why test multiple?**

24 A Because that's part of -- usually, the
25 scientific method is to develop a hypothesis and test

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1 MVP. Part of the MVP is having enough adoption and
2 generate enough data to then iterate.

3 So similar to the first product that we talked
4 about in Kik where the MVP has a minimum viable product,
5 has a minimum amount of users, and a minimum amount of
6 data to then iterate, the Kin Rewards Engine, as you're
7 describing it, probably wouldn't classify as an MVP
8 because there might not be enough data and enough users
9 using it.

10 **Q Okay. But so -- but it is possible -- like,**
11 **is the plan that there'll be a Kin Reward Engine and an**
12 **algorithm released and then it'll get changed over time?**

13 A Yes.

14 **Q Okay.**

15 BY MR. LEASURE:

16 **Q And so various people, both within Kik and**
17 **then working -- you know, McKinsey and MIT, over time**
18 **have worked on thinking about the development of the Kin**
19 **Regards Engine?**

20 A Yes.

21 **Q And they're paid by Kik?**

22 A I believe so.

23 **Q That's fine. And if I were going to say are**
24 **they being paid from the proceeds raised in the private**
25 **and public sale, how -- well, do you know if they're**

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1 that hypothesis, and you can -- when you've done a --
2 like I talked about the manual Kin Rewards Engine,
3 getting people to generate transaction volume, you have
4 data that you can put in -- and you have the inputs, you
5 have different algorithms that you can run concurrently
6 to get different outputs and measure the effectiveness.

7 **Q So the different algorithms could have a**
8 **really different effect on the system?**

9 A Potentially, yes.

10 **Q But why not just sort of start an algorithm**
11 **and then just let it run and then iterate it every six**
12 **months to improve on it?**

13 A So some of the discussion that happened here
14 was if you just put an algorithm out, dumped a bunch of
15 Kin into that algorithm, and there was a very serious
16 flaw or one participant was the only one that was
17 submitting transaction data to that algorithm, they
18 could just, one, collect all of the Kin, and, two, if
19 there was such a small pool of people, you wouldn't
20 actually be able to measure effectiveness because you
21 wouldn't be able to juxtapose one service to another.

22 **Q Okay. But then couldn't you just iterate and**
23 **fix it?**

24 A So you can iterate if you know what to
25 iterate, similar to what I mentioned before about an

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1 **being paid by those proceeds?**

2 A I believe they are being paid by Kik. The
3 proceeds of the public and private sale are in Kik's
4 bank account. I do not know -- there are multiple bank
5 accounts. I don't know which bank account the private
6 sale went into, or the public sale, and I don't know
7 which bank account paid or executed those contracts.

8 **Q That's fine. But some of the proceeds are**
9 **being used currently to fund Kik's operations?**

10 A Yes.

11 **Q And so it's foreseeable -- it's possible that**
12 **we can't draw a direct line between a particular dollar**
13 **and a salary someone received, but generally the**
14 **proceeds from the sale through the operational budget**
15 **may result in payments to employees of Kik?**

16 A Yes.

17 **Q Including those working on the rewards engine?**

18 A Yes.

19 **Q That's fine.**

20 **Can I keep you on Exhibit 128, pointing you to**
21 **307?**

22 A Yes.

23 **Q Okay. I'm sorry, I screwed this up again. I**
24 **think we're still in a section, correct me if I'm wrong,**
25 **where you and Tal are discussing various things. Does**

1 that look right to you?

2 A It -- Discussion: Critical risks and
3 transparency strategy? I believe Tal drove this
4 discussion. I'm not sure if I -- I am listed on the
5 agenda, but anyways, yes.

6 Q That's okay. There's a bullet right under the
7 Redacted piece there that -- on 129307. You're on the
8 right page.

9 That says: We're a billion dollar company and
10 people expect us to have our shit together, but we don't
11 and we won't. How dumb are we okay looking by
12 publicizing things we don't follow through on?

13 Do you see that?

14 A I do.

15 Q Do you recall discussion along those lines in
16 the Tel Aviv meeting?

17 A I recall Tal having some discussions about the
18 -- having some more public communications. The -- he
19 came from Wix prior to that, and Wix had a method in
20 their engineering organization of publishing regular
21 blog posts, or publishing code, before having it
22 peer-reviewed, which is relatively new for a lot of the
23 engineers at the organization here, and that was the
24 impetus of Tal's comments here.

25 Q Got it. These are Tal's, not your comments?

1 A These are Tal's comments. I -- my mother
2 would be very upset if she thought I said the word. She
3 would say S-H-I-T.

4 Q Would she?

5 A She would. She would not say that word.

6 Q Bless her heart. Mine as well.

7 Do you know what precisely Tal was referring
8 to in the comment "publicizing things we don't follow
9 through on"? Is there some "thing" in particular you
10 recall Tal --

11 A I don't recall anything specific. Again,
12 these are -- this is Martha translating his notes --

13 Q Of course.

14 A -- so there might be some things lost in
15 translation.

16 What I do remember from this session was Tal
17 was speaking very specifically about his experience at
18 Wix and publishing a lot of things publicly all the time
19 and basically being completely -- he called it
20 open source communication, and that's what I remember was
21 largely driven in this conversation.

22 Q And he wanted that?

23 A He wanted that.

24 Q Okay. Was there -- from your perspective,
25 let's -- if I wanted to ask Tal, I could ask Tal. From

1 your perspective, was there something about the Kin
2 project that Kik publicized that it didn't follow
3 through on?

4 A Not that I'm aware of.

5 Q Okay.

6 Keep that document in front of you. I
7 want to show you a mercifully brief document.

8 A Okay.

9 (SEC Exhibit No. 129 was marked for
10 identification.)

11 Q Exhibit 129 is a one-page document with Bates
12 stamp Kik 137198. It's dated November 8th, 2017.

13 Do you know what this is?

14 A I do.

15 Q What is this?

16 A This is a text message in a conversation with,
17 I believe, Hayeon Kim.

18 Q She was then an employee of Kik?

19 A She was.

20 Q Okay.

21 And you wrote: "If I were any business
22 doing well, I would not work with Kin."

23 Is that right?

24 A That is what I said.

25 Q Okay.

1 And what caused you to write that?

2 A This was in the context of a conversation with
3 Hayeon where there were some discussions that the
4 members of the product organization, I believe, were
5 talking about having a partnership with Netflix or
6 Spotify.

7 Hayeon actually used to work at Spotify, so we
8 were discussing that.

9 And in this conversation, I was referencing
10 that -- when I say "a business doing well," that would
11 be a business that was not struggling from some of the
12 impacts that, for example, Kik and others were facing
13 and why Kin was essentially launched to help some of
14 these developers or businesses that were struggling
15 against monopolies.

16 And I said, very objectively here, that if I
17 was in the position, at this time, working at Netflix or
18 Spotify, for example, where they are profitable and
19 publicly-traded companies, at this time I probably would
20 not work with Kin.

21 Q Got it.

22 A I don't mean that they would never work with
23 Kin, but at the time, I probably would not.

24 Q So Kin -- in terms of the developer, you know,
25 content provider side of the equation, Kin isn't focused

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1 on businesses that are already crushing their
2 competition?
3 A Correct.
4 Q And that's what you mean by that?
5 A That's what I mean.
6 Q Did you have any concerns about the
7 performance of Kin at the time you wrote this?
8 A I did not have any concerns about the Kin
9 ecosystem and its performance at the time.
10 Q Great.
11 Let me point you back -- I'll take that
12 one-pager back. Thank you.
13 I'm pointing you back to Exhibit 128.
14 A Yep.
15 Q I want to point you now to a section that
16 begins on Bates stamp 129313. It's Session 7: IPL V2
17 plus K-R-E Launch Requirements plus Compliance Stress
18 Tests Eran slash Tal slash Tanner.
19 Do you see that?
20 A I do. Lots of acronyms.
21 Q So many.
22 IPL V2 is Initial Product Launch
23 Version 2?
24 A Yes.
25 I always hated that because it felt like

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1 point on page 314?
2 A Yes.
3 Q I'll read it, and you can read along.
4 Discussion around who we are building for.
5 Kik IPL users or TDE participants. Realistically, TDE
6 participants are not likely to become Kik users. They
7 more than likely did buy it as an investment, which
8 isn't what we want for compliance and being a utility,
9 but it's the truth.
10 Let me pause here. Do you recall discussion
11 around these points?
12 A I recall generally a discussion around this.
13 This was led by Eran.
14 Q So is it your belief that -- you know, again,
15 this is, apparently, Martha recording at an ongoing
16 discussion.
17 Is it your belief that this is recording
18 Eran's thoughts?
19 A I believe this was Eran's thoughts.
20 Q Do you agree with these thoughts?
21 A I do not.
22 Q Why not?
23 A I believe that a lot of token distribution
24 event participants not only are likely, but did
25 become -- either became Kik users or were Kik users,

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1 an oxymoron because it's a version 2 of an initial
2 product launch, but I did not pick the acronym.
3 Q I hear you. And what was the I -- the
4 unfortunate acronym IPL V2 referring to, to your
5 knowledge?
6 A So typically the project organization, when
7 they iterate a product, it would be V1, V2, V3, based on
8 iterations.
9 That's why this got its unfortunate kind of
10 oxymoronic name.
11 Q Oh, and I understand. What is it referring
12 to?
13 Like, what is that?
14 A It is talking about the next iteration of the
15 product, that earn and spend that ended up happening.
16 Q That did happen --
17 A Did happen.
18 Q -- in late 2017?
19 A Yes.
20 Q Got it.
21 Let me point you to the next page. It looks
22 like, as before, there's some bullet points reflecting
23 discussion here?
24 A Yes.
25 Q I want to point you to the second white bullet

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1 given that there were about 1800. So I actually just
2 think this is a false statement.
3 There are some that may have bought it as an
4 investment, as Eran mentioned here, but there is a
5 strong indication that a lot did not, and I believe that
6 a lot of the participants were actual Kik users.
7 Q So did Eran -- in Tel Aviv in October -- this
8 was October; right?
9 A I believe it was October.
10 Q Okay.
11 A I've been to Tel Aviv so many times I couldn't
12 tell you which time this was.
13 Q I'm jealous.
14 Did Eran, in Tel Aviv, in October, state, in
15 sum or substance, these sentiments?
16 A I don't recall if this was stated verbatim
17 statement or how this was interpreted. Given that these
18 are meeting minutes, there's potential that this was
19 lost in translation a little bit. I honestly don't
20 recall specifically.
21 Q And you -- so you don't recall him saying
22 that. Do you recall any discussion on these topics?
23 A I recall there was a discussion around
24 participants in the token sale and what we learned from
25 the initial product launch -- the IPL, not IPL V2 -- and

1 where some of the interest may lie for future product
2 iterations.

3 **Q Was there discussion about whether TDE**
4 **participants were or weren't likely to become Kik users?**

5 A There -- based on this bullet point, I believe
6 there must have been some discussion. I don't recall
7 specifically, because I do know this was largely focused
8 on the iterations to the product as well as technology.

9 **Q Okay. And then do you recall anyone objecting**
10 **to or dissenting from Eran's view on the motivations of**
11 **TDE participants?**

12 A I believe there was a discussion, and I do not
13 believe that what is written here or reflected in this
14 bullet point was a widely-held belief by the company.

15 **Q Okay. But there was discussion?**

16 A There was discussion about what type of
17 iterations to happen in the product and what some of the
18 TDE participants would like to see in a product.

19 **Q What was the conclusion of that?**

20 A More earn and spend and also understanding
21 that some of the TDE participants are likely developers,
22 so showcasing some of these earn and spend
23 opportunities. There was access to brands, which you
24 see were a part of the next iterations, and I don't
25 recall any of the other specifics.

1 **Q So if I wanted to understand whether these**
2 **comments -- to the extent these comments, or something**
3 **like these, were made in Tel Aviv, if I wanted to hear**
4 **from a person who may have said them, is it your view**
5 **that Eran Ben-Ari is most likely the person?**

6 A Given that these comments were either
7 Eran's -- they were either Eran's or Tal's, given that
8 Tal, Eran, and I are listed on here and I know this was
9 not me. It would be likely one of those two.

10 **Q Got it. That's partly my question. This**
11 **wasn't you?**

12 A This was not me.

13 **Q Okay. I'll take that document back from you.**

14 A Okay.

15 **Q Okay.**

16 **Nearing the home stretch, I assure you. The**
17 **work ahead discussed at this Tel Aviv meeting and then**
18 **afterwards, I just want to categorize it. We've already**
19 **talked about the rewards engine --**

20 A Yes.

21 **Q -- right? And that was a task that was out**
22 **there?**

23 A Yes.

24 **Q Was another task to enable people to engage in**
25 **peer-to-peer transactions?**

1 A I believe that -- that is a core component of
2 this digital sharing economy, which I had mentioned
3 before, and I believe peer-to-peer is something not just
4 in Kik, but in other applications, that's a desired
5 product feature.

6 **Q And that was one -- that was a desired feature**
7 **for Kin?**

8 A Yes.

9 **Q And was that something that people were**
10 **working on at Kik?**

11 A I believe people are still working on some of
12 that today.

13 **Q And are they working on wallets in particular?**

14 A So I think the wallet, for example, will
15 probably continue to evolve. There was a discussion at
16 one point of being a custodial wallet, which I mentioned
17 yesterday, to have optimum user experience. I think
18 that was a decision that was ultimately made not to
19 pursue a custodial wallet.

20 So there were some resources initially
21 allocated to looking at what a custodial wallet would
22 look like.

23 There -- the wallet in either Kik or another
24 application could look very different. For example, the
25 Kinit -- the wallet in Kinit is different than the

1 wallet in Kik, and the 45 developers in the developer
2 program today will likely have different-looking
3 wallets, depending on what type of functionality they
4 want to have.

5 **Q So that's helpful. On my Android, I can**
6 **download Kinit today?**

7 A Yes.

8 **Q And that is -- that -- among its features is a**
9 **wallet feature. Do I have that right?**

10 A Yes.

11 **Q Okay. And now, who developed that?**

12 A That was Kik employees.

13 **Q You?**

14 A No.

15 **Q Who?**

16 A Employees in the Israeli team.

17 **Q The Israeli team.**

18 A I wish I had the ability to develop that
19 wallet.

20 **Q And again, I might ask these for a couple of**
21 **these, but generally would you agree that it's possible**
22 **that those employees who developed the Kinit app, their**
23 **-- the salaries they received through Kik's operational**
24 **budget may have come, in part or in whole, from the**
25 **private and public sales proceeds?**

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1 A Yes.
 2 **Q Okay.**
 3 **We talked evangelism earlier?**
 4 A Yes.
 5 **Q And that's the Partnership team?**
 6 A Yes.
 7 **Q You're not a member of that?**
 8 A No.
 9 **Q And that work is ongoing?**
 10 A Yes.
 11 **Q And it's -- correct me if I'm wrong. It's**
 12 **focused on apps -- currently it has a focus on apps or**
 13 **other digital services that themselves focus on the**
 14 **teenager or early 20s audience?**
 15 A Not specifically.
 16 **Q Not specifically? Okay. I got that wrong**
 17 **then.**
 18 A More use case-based.
 19 **Q Use case-based.**
 20 A So for example, the Partnerships team that I
 21 was talking about evangelizing did a lot of work to help
 22 do some education around Kin that ultimately resulted in
 23 people applying for the developer program.
 24 And if you look at the people in the developer
 25 program, a lot of those are not necessarily teen or

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1 A Yes.
 2 **Q Okay.**
 3 **More categories of work. You know,**
 4 **implementing Kin on a blockchain, is that work ongoing**
 5 **or is that done?**
 6 A There is work ongoing on scalability
 7 solutions to the blockchain. Kin lives on the ERC --
 8 it's an ERC-20 token and lives on the Ethereum
 9 blockchain. Obviously, there's a lot of people that
 10 contribute to the Ethereum blockchain.
 11 **Q Sure.**
 12 A But there are also scaling solutions and there
 13 is a team in Tel Aviv specifically dedicated to a
 14 scaling solution for Kin that someone could adopt that
 15 scaling solution through an SDK that is open-sourced,
 16 but someone could also implement Kin without the scaling
 17 solution that the Tel Aviv team has built.
 18 **Q Got it.**
 19 BY MR. MITCHELL:
 20 **Q Why is the Tel Aviv team creating that?**
 21 A Why is the Tel Aviv -- it was based on a need
 22 that was identified for a scaling solution in consumer
 23 applications.
 24 **Q I'm sorry, I literally was -- I literally**
 25 **don't understand that's the need. Like, why is --**

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1 young adult. It is very much use cases that lend
 2 themselves to a transactional economy where there's
 3 value transfer. So I don't -- I wouldn't put it as
 4 demographics, so I would put it as use case.
 5 **Q And do they have certain verticals for**
 6 **different use cases?**
 7 A I believe they have their own evaluation
 8 criteria. I'm aware of some. For example, content,
 9 gaming, entertainment, knowledge sharing. Those are
 10 some of the obvious ones, but I'm sure they have other
 11 ways they look at it.
 12 **Q If I wanted to talk to someone about the**
 13 **efforts the Partnership team is doing, who would I best**
 14 **talk to?**
 15 A The Partnerships team is led by Dany Fishel.
 16 **Q Got it.**
 17 **And I'm going to ask the same question before**
 18 **-- many, if not -- are all the people on the Partnership**
 19 **teams Kik employees?**
 20 A Yes.
 21 **Q Okay. And would you agree that to the extent**
 22 **they're being paid by Kik from Kik's operational budget,**
 23 **some of the money that they're receiving as salaries**
 24 **could be derived, in whole or in part, from the proceeds**
 25 **of the private and public sale?**

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1 **what's the --**
 2 A The transaction throughput on Ethereum is too
 3 slow and too expensive to run consumer applications at
 4 scale. CryptoKitties would be a good example of a
 5 consumer application that tried to run on Ethereum alone
 6 and ultimately crashed the network.
 7 This is probably the most active dialogue on
 8 blockchains in general is just scaling blockchains for
 9 consumer applications.
 10 **Q And so there -- are there -- there are many**
 11 **ways -- there many solutions to that kind of problem?**
 12 A Tons of solutions.
 13 **Q And so the Kik team in Tel Aviv is trying to**
 14 **come up with a solution --**
 15 A A solution that someone could adopt or could
 16 choose to adopt a different one.
 17 **Q Okay. And -- sorry, and what's an SDK?**
 18 A A Software Developer Kit. So it's basically
 19 any type of code that is written on a technical
 20 implementation and is put in a software developer kit
 21 open source.
 22 Anyone can take that code, implement it. They
 23 could take it and change it. They could take it and
 24 make iterations. But it's basically you write code and
 25 you put it public.

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1 **Q And Kik would just give that -- Kik plans to**
2 **just give that away for free?**

3 A It's already out there.

4 **Q It's already out there for --**

5 A Anything --

6 **Q -- free?**

7 A Anything that is developed is automatically --
8 it's not even that it's developed and then put out in
9 the open. It is developed in the open.

10 **Q What?**

11 A That is open source development. I mean,
12 that's kind of, like, the open source movement and is the
13 idea around this decentralized ecosystem is any of the
14 work that's done technologically is developed in
15 open source, not such that just that, hey, these people
16 built it and we want everyone else to use it, but it's,
17 hey, I built this. Do you have any suggestions to
18 iterate on this?

19 Think of it like the Wikipedia for code.

20 **Q Why is it being done out of Tel Aviv? Why not**
21 **Waterloo?**

22 A Tel Aviv has a lot of expertise in developing
23 around blockchains and that is where the team is based.

24 **Q And that expertise is needed for this project?**

25 A There is some expertise in writing code

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1 specific to blockchains. There are different languages
2 of code, and someone in the Waterloo team could, for
3 example, write a different scaling solution or
4 contribute to that. There has been contributions from
5 people in Waterloo to that code base.

6 BY MR. LEASURE:

7 **Q And going back to the rewards engine, we**
8 **talked about it as an algorithm. Would you agree that**
9 **the ultimate product of the rewards engine is ultimately**
10 **code?**

11 A I would say there is code to execute the
12 rewards engine. I would say that the rewards engine
13 itself is essentially governance of an allocation of
14 Kin.

15 **Q But the code piece of it, I take it you'd**
16 **agree that the goal isn't to have anyone in the planet**
17 **able to edit that code?**

18 A So the reason I said "governance" --

19 **Q Yeah, please.**

20 A Yeah. So the reason I say "governance" is
21 there is a lot of discussion not just on -- around Kin,
22 but in cryptocurrencies and blockchains in general,
23 about the appropriate governance structure for open and
24 decentralized ecosystems.

25 **Q Okay.**

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1 A And, for example, having a fully decentralized
2 governance structure such that anyone can contribute to
3 the governance or updating of that is kind of the -- has
4 been written about a lot in a lot of different forums
5 for blockchain and decentralized ecosystems, and there
6 are different projects that have different levels of
7 decentralization because to reach some level of finality
8 of code or of an algorithm, for example, there needs to
9 be some level of consensus and what does the consensus
10 look like for that.

11 So what you're kind of touching on is
12 potentially completely decentralized governance such
13 that, like, a potential implementation of a
14 decentralized governance system would be depending on
15 how much of a token you own, you get that amount of
16 voting on the governance of that structure.

17 **Q Is that -- I'm sorry. And I just want to be**
18 **clear: Is that a possibility being explored for the**
19 **ultimate Kin Rewards Engine that's being created?**

20 A That is a governance structure that I believe
21 is being explored by a lot of token projects, and I
22 would say the implementation of a governance structure
23 like that is not out of the question for anything.

24 Kin potentially could adopt that in the
25 future. I don't want to speak for the intent of that

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1 governance structure, because I specifically do not make
2 the call on what the governance is going to look like.

3 There are other structures, like delegated
4 proof of stake, similar to what EOS is doing where you
5 can actually then commit a certain amount of your
6 influence to someone else who's a decision maker. Think
7 of it like an elected official.

8 You could also have a plutocracy, which is
9 just a few people making a decision, you could have a
10 few people making decisions on initial state, and then
11 even on governance, there's a lot of discussions seen in
12 the Ethereum community about implicit governance,
13 because some people have undue influence.

14 Vitalik himself has often said that he feels
15 that he carries too much influence, given that he wants
16 it to be more democratic, but everyone's going to
17 basically do what Vitalik says because he's the creator
18 and he carries a lot of influence.

19 **Q So it sounds like the overall governance**
20 **structure of the future Kin Rewards Engine is still --**
21 **is it fair to say it's up in the air?**

22 A I believe it could evolve.

23 **Q Okay. And who is driving that decision on the**
24 **governance structure?**

25 A That governance structure would be driven by

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1 the Kin Foundation and could move to a, for example,
2 completely decentralized governance structure over time.

3 **Q Okay.**

4 BY MR. MITCHELL:

5 **Q Who was driving that in, say, 2017?**

6 A In 2017, that would be whoever's on the -- so
7 the Kin Foundation would drive the governance structure
8 of the 60 percent, because they own 60 -- so it's what
9 is the governance of the 60 percent? The 60 percent is
10 owned by the Kin Foundation. The Kin Foundation would
11 drive the decisions around governance of that 60
12 percent.

13 The Kin Foundation could decide to
14 decentralize its governance over time.

15 **Q So the answer for in 2017 was whoever was**
16 **running the Kik Ecosystem Foundation?**

17 A The Kin Foundation --

18 **Q I'm sorry, the Kin --**

19 A -- in 20 -- the Kin Ecosystem Foundation in
20 2017, I believe Ted and Peter were the board designees.
21 I do not know specifically.

22 BY MR. LEASURE:

23 **Q In terms of the tasks ahead, Tel Aviv onwards,**
24 **I've tried to outline the ones I'm aware of, and --**

25 A Yes.

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1 **Q Right.**

2 A For sure.

3 **Q So that's ongoing and that's a part of, in**
4 **your mind, the Kin project altogether?**

5 A Totally.

6 **Q Okay.**

7 BY MR. MITCHELL:

8 **Q Is that a lighthouse for other people to**
9 **attract them to --**

10 A A lighthouse as well as all of the code that
11 is implemented by Kik to integrate Kin is open source, so
12 people could also use the code.

13 **Q So it has both those?**

14 A Yes.

15 BY MR. LEASURE:

16 **Q So developments on Kik.**

17 A Yes.

18 **Q Well, the Kik messaging app?**

19 A Yes.

20 **Q What else? Anything I'm missing?**

21 A There are a lot of other open source tools that
22 are being developed, so I'd talked about SDK, for
23 example. Continuing to develop more SDKs. I think
24 that's something that people at -- that are employed by
25 Kik will continue to work on, as well as other people in

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1 **Q -- I just want to be sure I'm exhaustive. We**
2 **talked about, you know, transactability and wallets,**
3 **things like that.**

4 A Yes.

5 **Q We talked about evangelism, recruiting**
6 **partners, bringing attention to the network.**

7 A Yes.

8 **Q Right? We talked about blockchain issues?**

9 A Yes.

10 **Q I understood almost half of it, and I**
11 **appreciate that.**

12 A No problem.

13 **Q The rewards engine and work in that space.**

14 A The rewards engine is being driven by the Kin
15 Foundation, so not necessarily just the Tel Aviv team.

16 **Q Understood.**

17 A Okay.

18 **Q In terms of other categories of work ahead,**
19 **particularly facing Kik and Kik's people on the Kin**
20 **project, are there other major categories I'm not**
21 **thinking of?**

22 A So Kik as a company will continue to build
23 product, a lot of which will integrate Kin.

24 **Q Kik the messaging app?**

25 A Kik the messaging app.

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1 the ecosystem.

2 For example, members of that developer program
3 will be contributing to the SDK -- actually, the Kinit
4 SDK that I mentioned before that was developed by Kik
5 employees had contributors to that SDK which are not Kik
6 employees, so again, this is an open-sourced project.

7 Kin, in general, I mean, it's a decentralized
8 ecosystem with decentralized tools and a decentralized
9 currency. So employees of Kik, both the Tel Aviv team
10 and Kik Interactive, like, the messenger, will continue
11 to build things that either Kik wants to use or other
12 developers will use, and all of that will be open source.

13 **Q So there are aspects of the Kin project --**
14 **since Kin was launched -- that are open source and anyone**
15 **can participate in?**

16 A Totally.

17 **Q Would you agree that not every aspect of the**
18 **Kin project is open source and anyone can participate in?**

19 A I believe that everything related to the Kin
20 currency is open source, because all of the code that has
21 been written for any type of Kin integration is
22 open source.

23 There are Kik employees that work on some of
24 the centralized messaging component. I talked about
25 server infrastructure before. Obviously, Kik runs its

1 own server, IMVU, which is a partner that I -- was -- is
2 going to be integrating Kin, or the developers in the
3 developer program have their other centralized servers
4 for their apps, so those might not necessarily be
5 open source, but anything this is directly related to Kin
6 would be open source.

7 **Q The Kik Messenger app, people -- I can't go**
8 **edit the Kik Messenger app?**

9 A Correct.

10 **Q So that's not open source?**

11 A That's not open source.

12 **Q Okay.**

13 BY MR. MITCHELL:

14 **Q What about sort of the blockchain issues? Can**
15 **just anyone make a decision and sort of change the way**
16 **Kin is -- put it on a different blockchain or things**
17 **like that?**

18 A So Kin cannot be put on a different
19 blockchain. It's all on Ethereum, and that is a
20 permissionless blockchain than anyone can contribute to
21 Ethereum, but obviously they're -- that's run by more
22 decentralized governance.

23 The scaling solution I mentioned that is being
24 developed by Tel Aviv, that was, hey, this doesn't
25 scale; here's a novel way to potentially have a

1 secondary scaling solution that they've developed. All
2 of that code is open sourced, but if someone didn't want
3 to use that specific scaling solution, they could do a
4 number of things.

5 They could either just run on Ethereum without
6 a scaling solution. They could take what the Tel Aviv
7 team built and just implement that in their app. They
8 could take that, change some of the code, make it a
9 little bit different. They could go to another project
10 that's building scaling solutions and say, hey, I want
11 to use that instead. It's kind of open for anyone.

12 **Q Can a commercial developer like Kik just run**
13 **on the -- run transactions on the Ethereum app? On the**
14 **Ethereum blockchain?**

15 A They could. It would be slow.

16 **Q I mean, do you think it's actually, like, that**
17 **it's a practical way to run a business?**

18 A Today?

19 **Q Yeah.**

20 A I do not think it's practical for a consumer
21 application to run all their products on Ethereum. I
22 think over time Ethereum will become more scalable and
23 that is up to all the people contributing to the
24 Ethereum blockchain.

25 BY MR. LEASURE:

1 **Q So you -- there are -- not every aspect of the**
2 **Kin project, but for some of the aspects of the Kin**
3 **project, if a Kin holder, or even just an enthusiast,**
4 **wants to participate, they can add to the project?**

5 A Anyone who wants to participate in Kin can do
6 so because they can get Kin, if they want to.

7 **Q Sure.**

8 A They could implement Kin in any type of an app
9 they wanted. They could use some of the code that is
10 open source, or they could write their own as well.

11 **Q Right. So there's ways in which people can**
12 **participate in the project?**

13 A Yes.

14 **Q Okay. It -- I take it this is obvious, but**
15 **that's not mandatory; correct?**

16 A Mandatory in what way? Sorry.

17 **Q Let me ask that in a better way then.**

18 **If I own Kin, it's not mandatory that I in**
19 **some way participate in the project?**

20 A By owning Kin, you could say you're
21 participating.

22 **Q Understood.**

23 A How do you define "participating"?

24 **Q I don't have -- if I own Kin, there's no**
25 **particular project that I'm required to contribute to?**

1 A Correct.

2 **Q Okay. Did any -- were Kin purchasers required**
3 **to have any experience in blockchain in order to**
4 **participate?**

5 A No.

6 **Q Were they required to have any experience in**
7 **decentralized ecosystems?**

8 A No.

9 **Q Is it possible there are, for lack of a better**
10 **word, free riders out there who are sitting watching the**
11 **development of the Kin network take place and not**
12 **participating themselves?**

13 A You're saying it is possible that someone
14 bought Kin and all they've done is bought Kin and hold
15 it in their wallet?

16 **Q Absolutely.**

17 A Yes.

18 **Q Right. In fact, it's probable that somebody**
19 **out there is like that?**

20 A Yes.

21 **Q Okay. And that won't -- in and of itself,**
22 **their lack of participation won't diminish the value of**
23 **Kin that they themselves hold?**

24 A No.

25 **Q Okay.**

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1 **We've been going a while. Let's take a break.**
2 **Off the record.**
3 THE VIDEOGRAPHER: Going off the record. The
4 time on the video monitor is 4:23 and 56 seconds.
5 (A recess was taken from 4:23 p.m. to 4:31
6 p.m.)
7 THE VIDEOGRAPHER: We are back on the record.
8 The time on the monitor is 4:31 is 23 seconds p.m.
9 BY MR. LEASURE:
10 **Q Back on the record after a brief break, during**
11 **which, Mr. Philp, you had no substantive conversations**
12 **about this investigation with SEC staff?**
13 A No, sir.
14 **Q Okay.**
15 I want to go -- move the mirror back in time
16 to where we -- practically where we began yesterday:
17 **When Kik was deciding to, it sounds like, transition its**
18 **business into a crypto project; right?**
19 A Correct.
20 **Q And it was your testimony that this was a**
21 **wholesale transition of its business model and its**
22 **focus; right?**
23 A Yes.
24 **Q So this was a big decision?**
25 A Yes.

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1 **Q Okay.**
2 **At that time -- let's say early 2017, would**
3 **you agree with that?**
4 A Yes.
5 **Q Okay. Is it true that at that time Kik the**
6 **company had little to no significant revenue?**
7 A Yes.
8 **Q That Kik was facing a decline in its active**
9 **users?**
10 A Yes.
11 **Q That Credit Suisse's effort on Kik's behalf to**
12 **find a buyer or funding for Kik had been unsuccessful?**
13 A To the best of my knowledge, the first round
14 of term sheets did not have anyone sign.
15 **Q Okay. Is it at that time that Kik needed**
16 **money to stay afloat that year?**
17 A Kik, to my understanding, had runway through
18 the end of the year with the ability to also extend,
19 given different levers.
20 **Q What were those levers?**
21 A Reducing roadmaps, reducing head count, server
22 optimization. There are a lot of areas.
23 **Q Okay. So at that time, absent an influx of**
24 **money by the end of the year, Kik would have needed to**
25 **reduce the head count, that is fire people, and reduce**

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1 costs?
2 A That would be one of the potential levers as
3 well as some other optimizations.
4 **Q Okay. And so at that time, as the Kin token**
5 **distribution event was -- the idea was crystalizing,**
6 **that included the idea of a revenue event that, at the**
7 **time, was initially thought to maybe be tens of millions**
8 **of dollars; is that right?**
9 A The -- sorry. Do you mind repeating the
10 question?
11 **Q Sure. So again, we're at the time when Kik is**
12 **considering a transition into crypto --**
13 A Yes.
14 **Q -- and doing what became the Kin project. At**
15 **that time, there was an anticipation if they went that**
16 **route, that there might be a revenue event in connection**
17 **with the Kin project?**
18 A Yes.
19 **Q And that that revenue event was originally**
20 **thought to be it could lead up to tens of millions of**
21 **dollars?**
22 A Yes.
23 **Q And that ultimately that revenue event reached**
24 **the magnitude of a hundred million dollars?**
25 A Yes.

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1 **Q And would you agree that that influx of**
2 **revenue extended the runway of Kik by several years?**
3 A Yes.
4 **Q Okay.**
5 We see -- in 2018, Mr. Livingston has had -- I
6 think they're monthly YouTube chats? Are you familiar
7 with those?
8 A AMAs.
9 **Q Ask Me Anythings?**
10 A Ask Me Anythings.
11 **Q And that's where a brave soul invites the**
12 **Reddit community to ask him or her questions?**
13 A Yes.
14 **Q And those You -- and those Ask Me Anythings**
15 **are on the topic of the Kin project?**
16 A Yes.
17 **Q Why does Mr. Livingston do that, to your**
18 **knowledge?**
19 A Ted has elected to do monthly AMAs to connect
20 with the community, the community that has formed on
21 Reddit or Twitter or some of the others and asks some of
22 the prominent questions, and have a voice with that
23 community given it is a decentralized project and a lot
24 of people have taken an interest in Kin.
25 **Q Sure. But it's important to have -- it's**

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1 **thought that it's important to have Mr. Livingston's**
2 **voice address the community's questions over time?**

3 A Yes.

4 **Q Even after the token distribution event?**

5 A Yes.

6 **Q Okay. How has he prepared for those, if at**
7 **all?**

8 A In the past, the Communications team and
9 Community team spends time in the Reddit community.
10 There's usually a thread started about questions, and
11 people up-vote the questions to see what's going to get
12 asked.

13 The Community and Communications team then
14 looks at some of the common themes and gives Ted a bit
15 of a heads up on what are the general themes, but does
16 not disclose any of the questions such that Ted knows
17 generally where the community is -- has been asking
18 questions.

19 **Q Interesting. So the team tries to prevent**
20 **Mr. Livingston from peeking at the actual questions?**

21 A Ted is very specific about not knowing
22 questions before him, not just on the AMAs, but,
23 interestingly enough, any time he's been on a fireside
24 chat or an interview, he specifically asks the
25 interviewer not to tell him what they're going to ask

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1 him.

2 **Q Do you know why he has that practice?**

3 A He prefers to be as candid as possible and
4 feels that he -- the most important thing is to be very
5 authentic and feels like he would be inauthentic if he
6 had time to think about the question before being asked.

7 **Q He doesn't want to give canned responses?**

8 A Correct.

9 **Q Do you have a role in preparing him for those?**

10 A The first six AMAs I was not involved at all.
11 The last two AMAs, I sat in with Ted when he was with
12 the Community team when they were talking about general
13 topics. I did not really have any input; I just
14 happened to be in the room.

15 **Q In one of the AMAs -- and I -- forgive me, I**
16 **can't identify which one. Do you typically watch them?**

17 A I have watched all of them, I believe.

18 **Q Okay. In one of them -- apologize, it was**
19 **over the recent months -- we believe Mr. Livingston**
20 **referenced the possibility of Kin leaving the United**
21 **States. Does that ring a bell for you?**

22 A I believe Ted may have made a glancing comment
23 about that. I don't recall the specific comment.

24 **Q Okay. Is that some -- let's leave aside the**
25 **comment. Is that something that Kik is contemplating?**

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1 A I do not believe there are current plans for
2 Kik to -- Kik or Kik employees to leave the United
3 States.

4 **Q And let's leave aside Kik employees. Is there**
5 **any contemplation of having the Kin project withdrawn**
6 **from the United States, to your knowledge?**

7 A Not to my knowledge.

8 **Q Do you know how that would -- if -- how that**
9 **would work if such a plan were attempted?**

10 A No.

11 **Q Do you think it's possible?**

12 A I -- when you say Kin leave the United States,
13 I -- I'm trying to understand what you mean by that,
14 sorry.

15 **Q Sure. And -- do you remember the specific**
16 **comment?**

17 A I don't remember the specific comment.

18 **Q That's fine. And you're not aware of any**
19 **plan?**

20 A No.

21 **Q Okay.**

22 BY MR. MITCHELL:

23 **Q I'm going to give you back the white paper --**

24 A Yep.

25 **Q -- Exhibit 2. Can you flip to page 24? It**

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1 **says Kin Founding Team. If you just flip, for the next**
2 **couple pages, it's pictures and descriptions of people.**

3 A Yes.

4 **Q Sorry, is it pictures and descriptions of**
5 **people who work for Kik or Kik's contractors?**

6 A Yes.

7 **Q Why is this section in the white paper?**

8 A This section is in the white paper to identify
9 some of the key people that were working on Kin at the
10 time of the white paper being released.

11 **Q And why was that important enough to put in**
12 **here?**

13 A I did not develop the full outline of the
14 white paper, and I believe there was discussion of
15 identifying some of the core people.

16 **Q Why?**

17 A I don't know.

18 **Q Was this information people thought was**
19 **important to people considering buying tokens?**

20 A I believe most white papers at the time had a
21 section like this, and I did not put together the
22 outline, so I'm --

23 **Q There's a -- there are two people on the page**
24 **that ends in 26?**

25 A Yes.

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1 **Q Dave Simons?**
 2 A Yes.
 3 **Q Does he still work for Kik?**
 4 A He does not.
 5 **Q When did he leave?**
 6 A December of 2017.
 7 **Q Why?**
 8 A I do not know specifically why Dave left.
 9 **Q Do you know anything generally?**
 10 A I am friends with Dave and still speak to him,
 11 and he is enjoying time with his family right now.
 12 **Q Okay. Has he ever talked to you about why he**
 13 **left Kik?**
 14 A No. That was a personal decision he made. I
 15 didn't ask him.
 16 **Q Okay.**
 17 **And what about Alim -- sorry, did Mr. Simons**
 18 **leave voluntarily?**
 19 A I don't know.
 20 **Q Okay. Sorry, because you had just said it was**
 21 **a personal decision that he made.**
 22 A I said a -- when someone leaves a company,
 23 that's a personal matter, I should have said.
 24 **Q Personal matter. But did he make the decision**
 25 **to leave?**

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1 A I don't know.
 2 **Q I'm going to ask the flip question: Did**
 3 **somebody else ask him to leave?**
 4 A I don't know.
 5 **Q Okay. And then Alim Dhanji, D-H-A-N-J-I.**
 6 A "Dan-jee."
 7 **Q "Dan-jee." He no longer works at the company?**
 8 A Correct.
 9 **Q Why did he leave?**
 10 A I do not know.
 11 **Q Do you know whether -- do you know who made**
 12 **the decision that he'd be leaving?**
 13 A No.
 14 **Q Okay.**
 15 **I'm sorry, we're jumping around in time. At**
 16 **the time of the public sale, I think people had -- am I**
 17 **right that people had to -- when they registered, they**
 18 **had to sort of express some amount that they had an**
 19 **intention of buying?**
 20 A Yes.
 21 **Q Why did Kik ask them that?**
 22 A Kik asked the intention of participation, I
 23 believe, to get a sense of what the potential
 24 distribution of participation would be.
 25 If I recall, there was also a discussion

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1 about -- so what ended up happening was total amount
 2 available in the sale is the numerator. Denominator was
 3 number of people that did the registration, and that was
 4 the cap for the 24 hours.
 5 I believe at the time, there was a discussion
 6 about potentially weighting that higher or lower
 7 depending on what people intended. So for example, if
 8 the cap ended up being 4,300-something, someone said
 9 they wanted to participate only at a hundred, taking the
 10 delta there and adding that back to the numerator of
 11 the -- with the denominator and subtracting that person.
 12 If that makes sense.
 13 **Q Potentially, if what you thought was you were**
 14 **going to get a bunch of people below the average, below**
 15 **that mean, sort of raise the number?**
 16 A Potentially doing it as a weighted average,
 17 depending on how much people wanted to participate.
 18 **Q And what did people decide to do in the end?**
 19 A Decided to do numerator was amount for sale
 20 and denominator was number of people that registered.
 21 **Q Okay.**
 22 **Earlier we talked about a Jaxx wallet?**
 23 A Yes.
 24 **Q I think is that J-A-X-X?**
 25 A Yes.

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1 **Q Do they -- does the Jaxx wallet -- can people**
 2 **put Kin in a Jaxx wallet?**
 3 A At the time of the sale, you could put Kin in
 4 a Jaxx wallet. To the best of my knowledge, they've
 5 done some upgrades to their product and are working with
 6 tokens in a different way.
 7 I'm not sure if the new Jaxx product has Kin
 8 integrated today. I know there's been some discussion
 9 with William Mougayar from the Foundation and Anthony Di
 10 Iorio, who's the CEO of Jaxx.
 11 **Q Have you been part of that?**
 12 A Not the most recent conversations.
 13 **Q Were you involved with conversation with**
 14 **Mr. Di Iorio prior?**
 15 A Yes.
 16 **Q Tell me about that.**
 17 A He was a participant in the presale, so I had
 18 some discussions. He also mentioned that he want -- he
 19 -- they intended to have Kin integrated in the Jaxx
 20 wallet, which I believe ended up happening, and Kin was
 21 able to be held in the Jaxx wallet.
 22 **Q Sorry, but sitting here today, can someone**
 23 **keep their Kin in the Jaxx wallet?**
 24 A They may have. I don't hold Kin in a Jaxx
 25 wallet. To the best of my knowledge, they've made some

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1 adjustment to their product and apparently are working
2 with some tokens in a different capacity. I don't know
3 specifically what that is.

4 MR. LEASURE: We have no further questions for
5 you at this time. Should we have additional questions
6 for you, we will reach out to your counsel.

7 Sir, as we always offer every witness at the
8 end of testimony, do you have anything you wish to add
9 or clarify to the testimony you've given?

10 THE WITNESS: No, sir.

11 MR. MITCHELL: Counsel, do you wish to ask any
12 additional or clarifying questions?

13 MR. LENCH: No, thank you.

14 MR. LEASURE: You're welcome.

15 Off the record.

16 THE VIDEOGRAPHER: We are now concluded. This
17 ends disk three of three. Going off the record at 4:44
18 and 47 seconds.

19 (Whereupon, at 4:44 p.m., the examination was
20 concluded.)

21 * * * * *

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23
24
25

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1 REPORTER'S CERTIFICATE

2

3 I, TASIANA BASDEKIS, reporter, hereby certify that
4 the foregoing transcript is a complete, true and accurate
5 transcript of the matter indicated, held on

6 __8/21/2018_____, at Washington, D.C.,

7 in the matter of:

8 KIK INTERACTIVE.

9 I further certify that this proceeding was recorded

10 by me, and that the foregoing transcript has been prepared
11 under my direction.

12

13

14 Date: 8/21/2018

15 Official Reporter: TASIANA BASDEKIS

16

17

18

19

20

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1 PROOFREADER'S CERTIFICATE

2

3 In the Matter of: KIK INTERACTIVE

4 Witness: TANNER PHILP

5 File Number: HO-13388

6 Date: Tuesday, August 21, 2018

7 Location: Washington, DC

8

9 This is to certify that I, Christine Boyce, (the
10 undersigned) do hereby swear and affirm that the
11 attached proceedings before the U.S. Securities and
12 Exchange Commission were held according to the record,
13 and that this is the original, complete, true and
14 accurate transcript, which has been compared with the
15 reporting or recording accomplished at the hearing.

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19 _____
(Proofreader's Name) (Date)

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